PAGE

PAGE PETROLEUM LTD.

Incorporated in Alberta, Canada

CORPORATE PROFILE

Page Petroleum Ltd. was formed by amalgamation in Alberta on August 13, 1971. The Company has continued and expanded the operations of its predecessor companies, acquiring oil and gas reserves through exploration, development and purchase. Page has traditionally operated in Western Canada, although in 1973 the Company expanded its operations into the United States. The Company's principal reserves and production are located in Western Canada, Utah and Texas. During the past two and one half years the Company has engaged, through subsidiaries, in services ancillary to the oil and gas industry, including well servicing and the manufacture of service rigs. As of April 15, 1981, Page had largely divested itself of these businesses.

As of March 31, 1981, Page's 3,504,250 outstanding common shares were held by 2,609 registered shareholders.

COVER

The cover picture illustrates the flaring of high pressure oil and gas during the initial production testing of the Page 1-14-B1E well in the Altamont-Bluebell Field, in Utah. Photograph courtesy of R.C. McCagren, a Page employee.

CONTENTS

METRIC (SI) CONVERSION TABLE

To Convert From	To	Multiply by
Acre (ac)	hectare (ha)	0.404 69
Foot (ft)	metre (m)	0.304 80
Mile (mi)	kilometre (km)	1.609 00
Barrel (bbl)	cubic metre (m^3)	0.158 91
Thousand Cubic Feet (mcf)	cubic metre (m^3)	28.173 99

PAGE PETROLEUM LTD.

FINANCIAL AND OPERATING HIGHLIGHTS

(Unless otherwise indicated, all dollar amounts in this report are expressed in Canadian dollars).

	1980	1979	Increase (Decrease) Per Cent
FINANCIAL			
Gross income	$21,383,000	$11,674,000	83.2
Sales of oil and gas	$20,804,000	$11,606,000	79.3
Investment and other income	$ 579,000	$ 68,000	751.5
Total expenses	$20,594,000	$11,066,000	86.1
Earnings from continuing operations	$ 616,000	$ 373,000	65.1
Loss from discontinued operations	$ 1,775,000	$ 406,000	337.2
Net earnings (loss)	$ (1,159,000)	$ (33,000)	—
Preferred dividends	$ 140,000	$ 445,000	(68.5)
Net earnings (loss) applicable to common shares	$ (1,299,000)	$ (478,000)	171.8
Per common share	$ (.37)	$ (.18)	105.6
Funds generated from operations	$ 6,905,000	$ 4,533,000	52.3
Net additions to property and equipment	$36,749,000	$30,256,000	21.5
Working capital (deficiency)	$ (1,089,000)	$ (744,000)	46.4
Long-term debt	$62,282,000	$26,645,000	133.7
Shareholders' equity	$20,127,000	$21,422,000	(6.0)
Common shares outstanding	3,492,750	2,960,868	18.0
Number of shareholders	2,589	1,747	48.2
OPERATIONS			
LAND HOLDINGS			
Gross acres	5,233,365	1,536,704	240.6
Net acres	1,271,185	360,367	252.7
DRILLING ACTIVITY			
Gross wells drilled	147.0	146.0	.7
Net wells drilled	126.0	117.3	7.4
Net wells productive	116.4	111.1	4.8
Net wells dry	9.6	6.2	54.8
PRODUCTION – gross (before royalties)			
Crude oil and liquids – barrels	1,219,408	861,916	41.5
Per day	3,341	2,361	41.5
Natural gas – mcf	1,006,357	1,071,048	(6.0)
Per day	2,757	2,934	(6.0)
Reserves – gross proven			
Crude oil – barrels	22,018,000	16,074,000	37.0
Natural gas – mcf	18,393,000	15,393,000	19.5

RANGE OF MARKET PRICES ON COMMON SHARES:

		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Annual Share
	Year	High	Low	High	Low	High	Low	High	Low	Volume
Toronto Stock Exchange	1979	13.25	8.87	19.00	11.87	19.25	15.00	28.62	14.25	3,626,000
	1980	35.25	16.00	28.25	19.50	30.75	25.50	32.75	23.50	1,527,620
American Stock Exchange (U.S. dollars)	1979	—	—	—	—	—	—	24.75	14.12	1,755,000
	1980	31.62	12.00	24.75	16.00	26.87	20.87	28.37	19.37	7,657,000

PRESIDENT'S REPORT

The past year's results only partially fulfilled our expectations. Page had another record drilling year and increased its proven oil and gas reserves substantially. The Company's net oil and gas revenues showed an excellent increase, to over $20 million, but less than was predicted. Funds generated from operations and net earnings were adversely affected by the Company's oil and gas service businesses, now largely discontinued.

Net oil and gas revenues totalled $20,804,000, a 79% increase from $11,606,000 in 1979. Funds generated from operations totalled $6,905,000, up 52% from $4,533,000 the previous year. Due to a loss of $1,775,000 from discontinued operations there was a resultant net loss applicable to common shares of $1,299,000 (37¢ per share). This compared to a loss of $478,000 (18¢ per share) the previous year. Earnings from continuing operations were $616,000 compared to $373,000 in 1979. After providing for cumulative dividends on the preferred shares, earnings from continuing operations were 14¢ per common share in 1980, compared to a loss of 3¢ per share in 1979. Net capital expenditures during 1980 totalled $36,749,000 compared with $30,256,000 in 1979.

The "discontinued operations" comprise several company subsidiaries and divisions which furnish services to the oil and gas industry. Such services included the manufacture and installation of compressor packages, wellhead facilities and gas plant equipment, pipeline construction and the sale of tubular goods. Since year end, Page has largely divested itself of these subsidiaries, electing to apply its available funds strictly to oil and gas exploration and development. As a result, profitability should be much improved.

On April 29, 1980, the Company completed the sale in the United States of a $25,000,000 (U.S.) issue of Convertible Subordinated Debentures. The debentures provide for a 10% coupon and are convertible into common shares at any time, at the option of the debenture holders, at a price of $20 (U.S.) per share.

At year end, the Company's proved net oil reserves totalled 17.9 million barrels, an increase of 38% from 13.0 million barrels at December 31, 1979. Proved net gas reserves were 15.2 billion cubic feet up 26% from 12.1 billion cubic feet the previous year.

The Company participated in a total of 147 wells (126 net) during the year. Of these, 100 wholly owned wells were drilled in the Dodsland Field of west central Saskatchewan where Page now operates 318 (316 net) shallow oil wells. At year end Page was producing approximately 2,600 barrels per day from this field. Page has an estimated 200 proven locations remaining in this field. However, the newly imposed 8% Federal tax at the wellhead, reduces profitability to the extent that the Company will drill only a few development wells in the higher productivity portions of the field, during 1981.

Once again, the most important area of U.S. activity was in the Greater Altamont-Bluebell Field of Utah. Page's revenues from this field, net of royalties and operating costs, approximately equalled the proceeds from the Dodsland Field. As this report is written, two additional development wells are being production tested with others scheduled to be drilled in 1981.

Page participated in 12 wells (9 net) on two separate leases in the Panhandle Field of Hutchinson County, Texas. The Company plans to drill up to 80 additional shallow (3,100 - 3,300 foot) oilwells on its Barnhill, Coble and Jaten leases by the end of 1981. An average well can be expected to pay out in less than one year. It is likely that Page will participate in over 200 wells in this area during the next two years.

Page has continued to increase its land holdings. At December 31, 1980, the Company held 2,344,855 acres of leases (828,849 net) in the United States and Canada. This compares to 1,537,000 gross and 360,000 net acres a year ago. Since year end, Page has acquired more than 50,000 additional net acres in a number of areas, including the Williston Basin, the Anadarko Basin, the Black Warrior Basin and the Austin Chalk play in southeast Texas. We believe that Page's land inventory is outstanding for a Company its size.

Page has budgeted $57 million for exploration (35%) and development (65%) in 1981, up more than 50% from $36 million in 1980. The current year's budget will be allocated approximately 75% to the U.S. where the anticipated rate of return is presently much higher than in Canada. It is expected that 18% of the Company's budget will be spent in Canada. Of this, nearly all will be spent in Alberta, where the Company has numerous attractive prospects. Page will also spend an estimated $4 million in up to four areas internationally, but particularly in Egypt and Australia.

Page's sizeable budget will be funded from cash flow and from bank borrowings against Page's producing properties. The Company has negotiated a credit line for 1981 of $86 million, approximately $50 million more than bank indebtedness at April 15th.

Some changes in our Board of Directors should be noted: Mr. Tom Jacobsen, formerly Executive Vice-President of Page, resigned in November, 1980, as both an employee and a director. Mr. Alex Cathcart, Senior Vice-President of Page, and Manager of Canadian Operations, filled this Board position. Mr. Henry Higgins resigned from the Board in January, 1980, and was succeeded by C. D. Gould in April of 1981. Mr. Gould, a former Page executive, served as a Director of the Company from 1970 until August, 1979. We are pleased that he has once again agreed to serve in this capacity.

Several key employee appointments occurred during the year or in the First Quarter of 1981. These include the appointment of Mr. Lyle Widdifield as Vice-President, Finance and Mr. Orin Crane as Executive Vice-President of Page Petroleum Inc., the Company's wholly owned U.S. subsidiary. Mr. Crane will manage U.S. operations from headquarters in Denver, Colorado. Also appointed officers of the U.S. subsidiary were Mr. Jack Bendler, Vice-President, Operations and Mr. Fred Digert, Vice-President, Exploration.

The Company's potential for growth and profitability has never been brighter. We go into 1981 with a record budget and, of course, the means to finance it. Company land holdings especially in the United States have been greatly increased and, consequently, so have our drillable prospects. In light of the negative provisions contained in the Canadian federal budget of October, 1980, we are fortunate that we have been building our U.S. base of operations since 1973. To illustrate, this, we estimate that 65 - 75% of the Company's 1981 revenues will be derived from our U.S. properties.

There is reason to believe that within the next few months there will be compromises favorable to the Canadian industry on oil pricing and taxes. Should these expectations not be realized we will further evaluate our position at that time. Meanwhile, we will maintain an active, but reduced, level of operations in Canada.

We have greatly appreciated the cooperation of our employees and shareholders during the past year and look forward to continued growth in 1981 and the years beyond.

SUBMITTED ON BEHALF OF
THE BOARD OF DIRECTORS

Lawton L. Clark

April 15, 1981 President

PAGE PETROLEUM LTD.

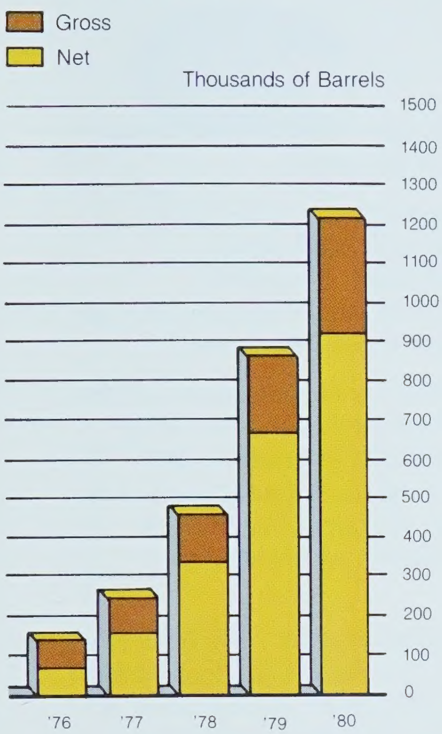
FIVE YEAR STATISTICAL SUMMARY

FINANCIAL	1980	1979	1978 (Restated)	1977 (Restated)	1976
INCOME					
Oil and gas sales	$27,909,000	$15,235,000	$ 6,682,000	$2,914,000	$1,240,000
Royalties paid	7,105,000	3,629,000	1,752,000	996,000	531,000
Net oil and gas sales	20,804,000	11,606,000	4,930,000	1,918,000	709,000
Interest and other income	579,000	68,000	130,000	99,000	11,000
GROSS INCOME	21,383,000	11,674,000	5,060,000	2,017,000	720,000
Production expenses	5,797,000	3,429,000	1,340,000	469,000	132,000
General and administrative	2,613,000	1,413,000	537,000	276,000	190,000
Interest on long term debt	5,513,000	2,355,000	709,000	370,000	219,000
Depreciation depletion and amortization	6,671,000	3,869,000	1,444,000	517,000	227,000
Loss from discontinued operations	1,775,000	406,000	8,000	—	—
Current income taxes	(195,000)	(178,000)	(145,000)	(147,000)	(99,000)
Deferred income taxes	368,000	413,000	368,000	235,000	44,000
NET EARNINGS (LOSS)	(1,159,000)	(33,000)	799,000	297,000	7,000
Preferred dividends	140,000	445,000	183,000	—	—
Net earnings (loss) applicable to common shares	(1,299,000)	(478,000)	616,000	297,000	7,000
Per common share	(.37)	(.18)	.30	17	.005
FUNDS GENERATED FROM OPERATIONS	6,905,000	4,533,000	2,669,000	1,049,000	278,000
BALANCE SHEET					
Working capital (deficiency)	(1,089,000)	(744,000)	114,000	668,000	91,000
Investments and advances	6,560,000	3,620,000	—	—	—
Property and equipment	75,444,000	45,074,000	18,880,000	8,998,000	4,293,000
Other assets	3,284,000	1,539,000	1,581,000	65,000	50,000
CAPITAL EMPLOYED	84,199,000	49,489,000	20,575,000	9,731,000	4,434,000
Deduct: Long term debt	62,282,000	26,645,000	10,182,000	5,547,000	2,408,000
Deferred income taxes	1,790,000	1,422,000	1,009,000	641,000	344,000
Shareholders' equity	20,127,000	21,422,000	9,384,000	3,543,000	1,682,000
Common shares outstanding	3,492,750	2,960,868	2,065,418	1,999,252	1,410,086
CAPITAL EXPENDITURES					
Exploration and development (net)	35,979,000	27,859,000	10,059,000	2,870,000	944,000
Well servicing (discontinued)	—	1,300,000	666,000	—	—
Other	770,000	1,097,000	633,000	59,000	—
	36,749,000	30,256,000	11,358,000	2,929,000	944,000

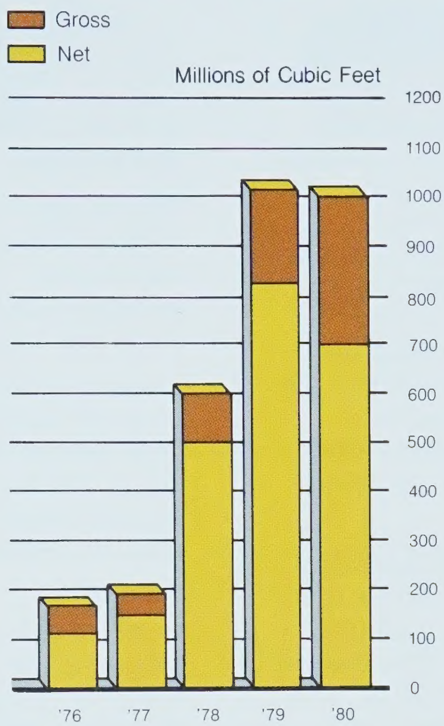
OPERATIONS	1980	1979	1978	1977	1976
LAND HOLDINGS (working interest)					
Gross acreage held	5,233,000	1,537,000	882,000	1,627,000	1,639,000
North America — net	829,000	360,000	89,000	111,000	92,000
International — net	442,000	—	24,000	43,000	47,000
TOTAL NET ACREAGE	1,271,000	360,000	113,000	154,000	139,000
DRILLING ACTIVITY					
Gross wells drilled	147.0	146.0	113.0	53.0	11.0
Net wells drilled	126.0	117.3	92.6	42.6	2.4
Productive	116.4	111.1	87.5	42.3	1.5
Dry	9.6	6.2	5.1	0.3	0.9
PRODUCTION — gross (before royalties)					
Crude oil and liquids - barrels	1,219,000	862,000	468,000	266,000	125,000
Average daily, barrels	3,341	2,361	1,282	730	341
Natural gas - mcf	1,006,000	1,071,000	607,000	195,000	164,000
Average daily, mcf	2,757	2,934	1,664	534	448
GROSS RESERVES - proven					
Crude oil - thousand barrels	22,018	16,074	10,146	5,720	2,675
Natural gas - mmcf	18,393	15,393	10,773	6,776	5,763

OPERATING AND FINANCIAL TRENDS

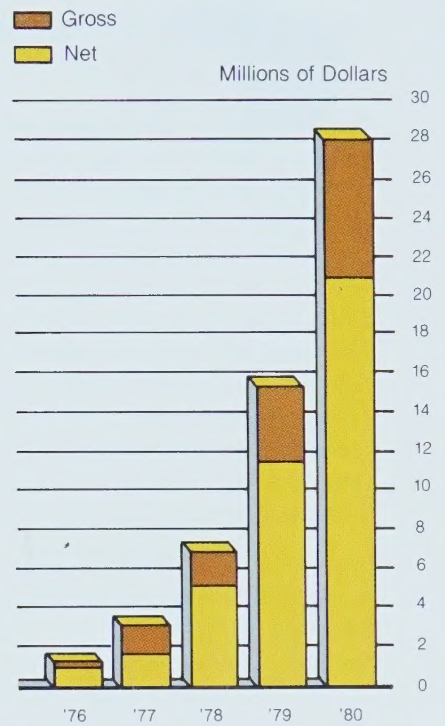
OIL PRODUCTION



NATURAL GAS PRODUCTION

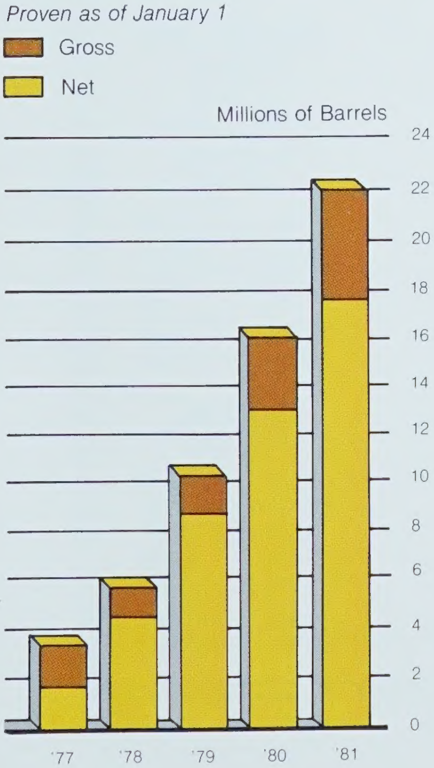


GROSS AND NET OIL AND GAS REVENUES



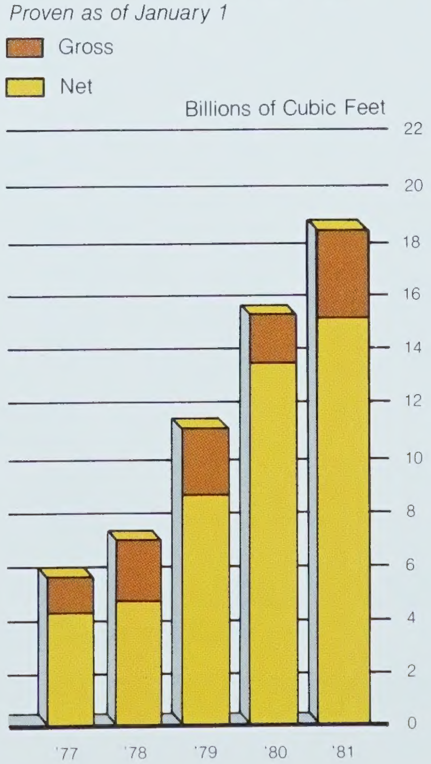
OIL RESERVES

Proven as of January 1

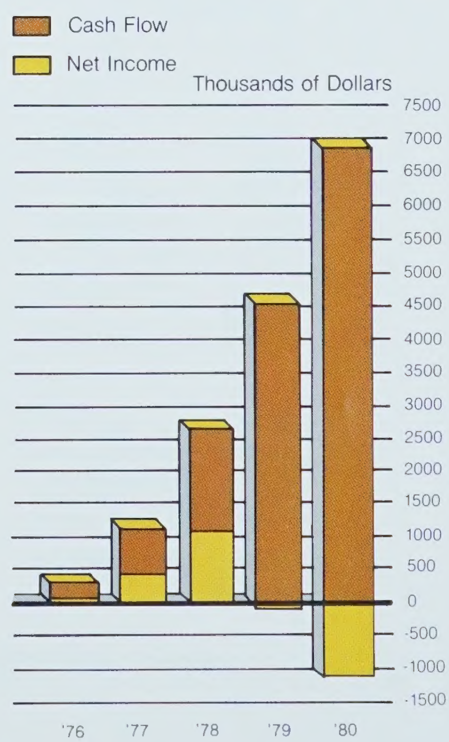


NATURAL GAS RESERVES

Proven as of January 1



CASH FLOW AND NET INCOME



PRODUCTION AND RESERVES

Page's gross oil production (before royalties) again reached an all time high, increasing from an average of 2,361 barrels per day in 1979 to 3,341 barrels per day in 1980. For the first time, Page's annual production exceeded one million barrels (1,219,408). Most of the increased production resulted from the Company's development drilling program in the Dodsland Field of west central Saskatchewan and from infill drilling in the Altamont-Bluebell Field in the Uintah Basin of Utah. Natural gas production remained comparatively small and showed a slight decrease from a daily rate of 2,934 Mcf per day in 1979 to 2,757 Mcf per day in 1980.

Independent engineering firms in the United States and Canada have estimated Page's proven net oil reserves at December 31, 1980, to be 17,883,000 barrels. This represents an increase of 38% over the 12,967,000 barrels estimated at December 31, 1979. Proven net gas reserves increased 26% to 15.2 billion cubic feet from 12.1 billion cubic feet. The future undiscounted cash flow from these proven reserves was calculated to be $397 million. Using a 15% discount factor, the cash flow was determined to have a present worth of $135 million.

All amounts are net after deduction of estimated royalties, operating costs and future capital expenditures. The United States oil property evaluations take into account the deregulated price of crude less the appropriate Windfall Profit Tax.

Proven reserves are defined by the consultants as the crude oil, natural gas and natural gas liquids which, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known oil and gas reserves under presently anticipated economic and operating conditions.

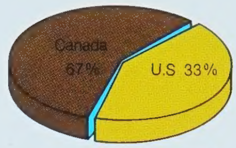
In 1980, Page received approximately 75% of its total net oil and gas revenues from two fields: the Dodsland Field in west central Saskatchewan with net sales of $8,512,185 (41%) and the Altamont-Bluebell Field in Utah with net sales of $7,089,644 (34%).

RESERVES	JANUARY 1, 1981 IMPERIAL		JANUARY 1, 1980 IMPERIAL	
	GROSS	NET	GROSS	NET
	(thousands of barrels)		(thousands of barrels)	
OIL				
proven – Alberta	2,120	1,405	1,451	1,020
– Saskatchewan	16,511	13,717	11,726	9,676
– Utah	3,221	2,629	2,856	2,242
– Texas	166	132	41	29
Total Oil	22,018	17,883	16,074	12,967
	(billions of cubic feet)		(billions of cubic feet)	
GAS				
proven – Alberta	6,191	4,986	4,140	3,049
– Saskatchewan	2,370	2,304	2,503	2,427
– Utah	4,700	3,839	4,509	3,533
– Texas	4,953	3,872	4,062	2,916
– Oklahoma	179	152	179	152
Total Gas	18,393	15,153	15,393	12,087

NET OIL AND GAS RESERVES (PROVED)
BY COUNTRY
At Dec. 31, 1980 (Equivalent Bbls.)

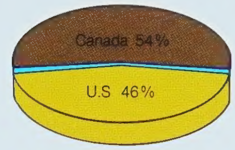
Canada	16,033,000
U.S.	3,743,000
Total	19,776,000 bbls.

PRODUCTION OF OIL AND GAS — 1980
Expressed In Barrels



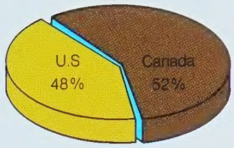
		Average Price per bbl.
Canada	903,000	$ 15.59
U.S.	442,000	$ 37.01
Total	1,345,000	$ 21.20

NET OIL AND GAS REVENUES — 1980
BY COUNTRY
(Canadian Dollars)



Canada	$ 11,140,000
U.S.	$ 9,664,000
Total	$ 20,804,000

TOTAL FUTURE NET OIL AND GAS
CASH FLOW
Discounted @ 15%

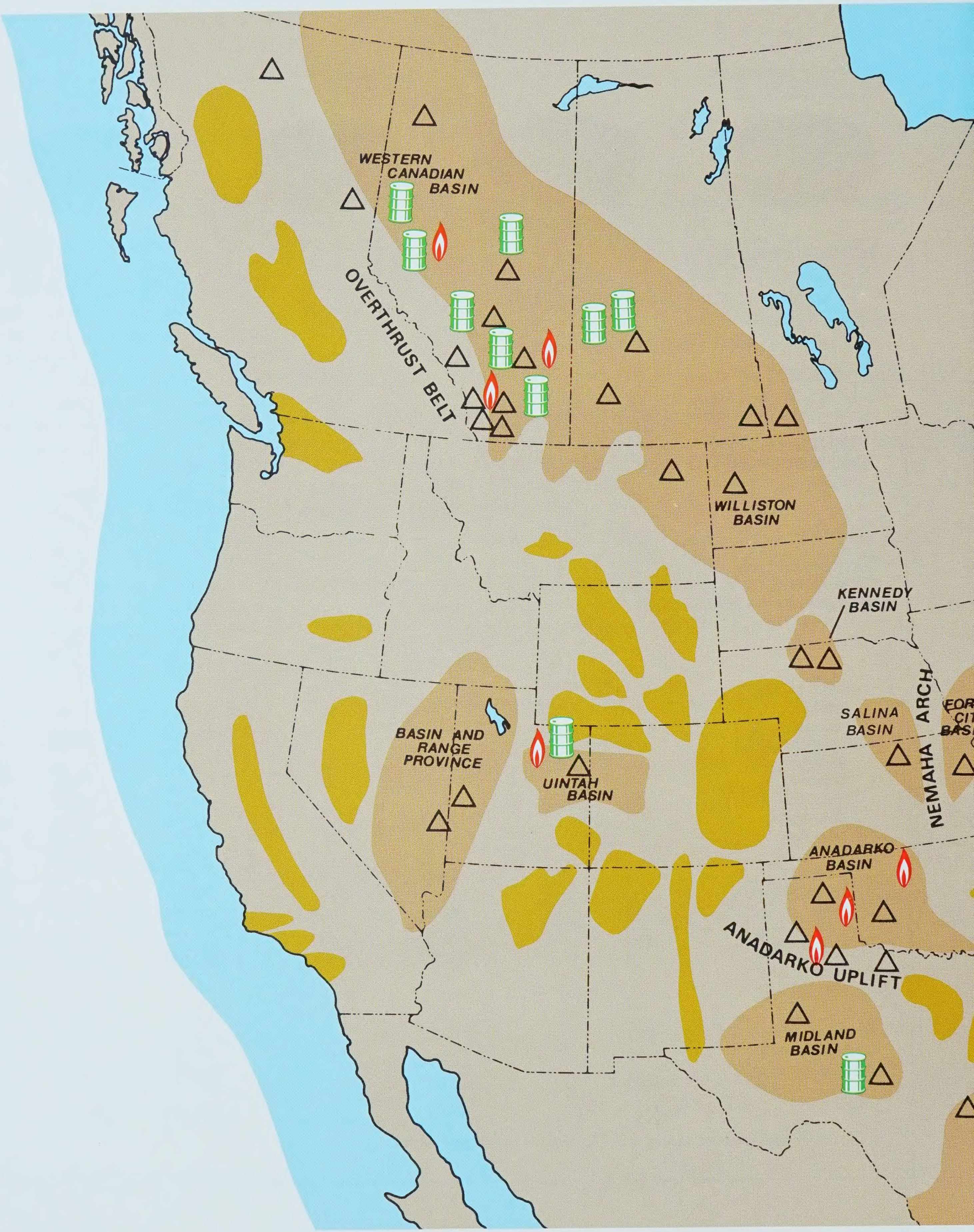


Canada	$ 69,832,000
U.S.	$ 63,859,000
Total	$ 133,691,000

LAND HOLDINGS
At January 1, 1981

	DEVELOPED ACREAGE		UNDEVELOPED ACREAGE	
	Gross Acres	Net Acres	Gross Acres	Net Acres
CANADA:				
Alberta	17,688	5,754	81,032	43,606
British Columbia	—	—	8,542	1,549
Manitoba	—	—	7,850	2,616
Saskatchewan	13,432	13,237	31,699	28,480
Arctic	—	—	341,242	29,484
Total	31,120	18,991	470,365	105,735
UNITED STATES:				
Alaska	—	—	2,560	320
Kansas	—	—	254,546	117,523
Louisiana	—	—	1,090	136
Michigan	—	—	21,872	21,872
Montana	—	—	3,739	1,787
Nebraska	—	—	1,050,000	166,950
Nevada	—	—	99,729	99,729
New York	—	—	79,834	15,966
Ohio	—	—	20,453	20,453
Oklahoma	1,440	403	3,728	855
Pennsylvania	—	—	34,051	26,010
Texas	15,311	2,329	39,843	15,452
Utah	12,160	11,590	203,014	202,748
Total	28,911	14,322	1,814,459	689,801
INTERNATIONAL:				
Australia	—	—	747,230	18,681
Egypt	—	—	2,116,000	423,200
U.K. North Sea	—	—	25,280	455
Total	—	—	2,888,510	442,336
Total	60,031	33,313	5,173,334	1,237,872

The above table excludes varying royalty interest in 19,329 gross acres.


WESTERN CANADIAN BASIN
OVERTHRUST BELT
WILLISTON BASIN
KENNEDY BASIN
NEMAHA ARCH
SALINA BASIN
BASIN AND RANGE PROVINCE
UINTAH BASIN
ANADARKO BASIN
ANADARKO UPLIFT
MIDLAND BASIN


NORTH AMERICA
AREAS OF ACTIVITY
LEGEND
EXPLORATION AREAS
OIL PRODUCTION (RESERVES)
GAS PRODUCTION (RESERVES)
SEDIMENTARY BASINS
SEDIMENTARY BASINS
WITH PAGE ACTIVITY
MICHIGAN
BASIN
APPALACHIAN
BASIN
CINCINNATI ARCH
BLACK
WARRIOR
BASIN
GULFCOAST
BASIN

EXPLORATION AND DEVELOPMENT

Page spent $36 million on development and exploration in Canada and the United States during 1980. Of this, 54% was expended in Canada and 46% in the United States. A total of 147 (126 net) wells were drilled, of which 108 were development and 39 exploratory. This drilling resulted in 117 oil wells (113.5 net), 7 gas wells (2.9 net) and 23 dry holes (9.6 net). The expenditures included approximately $3.5 million for land acquisitions and $4.1 million for geophysical work.

Page completed the initial stages of a program in the old Panhandle Field of Hutchinson County, Texas, which could lead to the drilling of 200 to 300 wells during the next two years. This project should provide the Company with a third major producing area in addition to the Dodsland Field in Saskatchewan and the Altamont-Bluebell Field in Utah.

The Company, partly in response to the Canadian National Energy Policy, made a significant start in 1980 toward expanding its areas of activity outside of North America. Interests in new petroleum and natural gas concessions, and permits were acquired in Egypt and Australia.

A total of $57 million has been budgeted for exploration and development for 1981. Of this, 75% is slated for the United States, 18% for Canada and 7% International. In view of the expanding program in the United States, Page has opened and partially staffed a new office in Denver, Colorado, which is now the Company's U.S. headquarters. Orin C. Crane has been appointed Executive Vice-President of the U.S. subsidiary and is responsible for the management of petroleum and natural gas activities in the United States.

At April 15, 1981, the Company exploration staff included four geologists in the Calgary office and four in the Denver office. Page also retains half-time geological consultants in Midland and Houston and a full-time consultant in the Amarillo office. Two landmen are located in the Calgary office, two in Denver, one in Amarillo and another in Salt Lake City.

CANADA

The drilling and completing of 100 wholly owned wells in the Dodsland Field of Saskatchewan was the most significant activity in Canada during 1980. The principal exploration effort occurred in Alberta where the Company participated in eight wildcats resulting in one oil well, three gas wells, one suspended well awaiting completion, and three dry holes. In addition, Page acquired approximately 1,000 miles of new seismic data and increased its Alberta land holdings to 98,720 gross acres (49,630 net) from 71,049 gross acres (34,701 net).

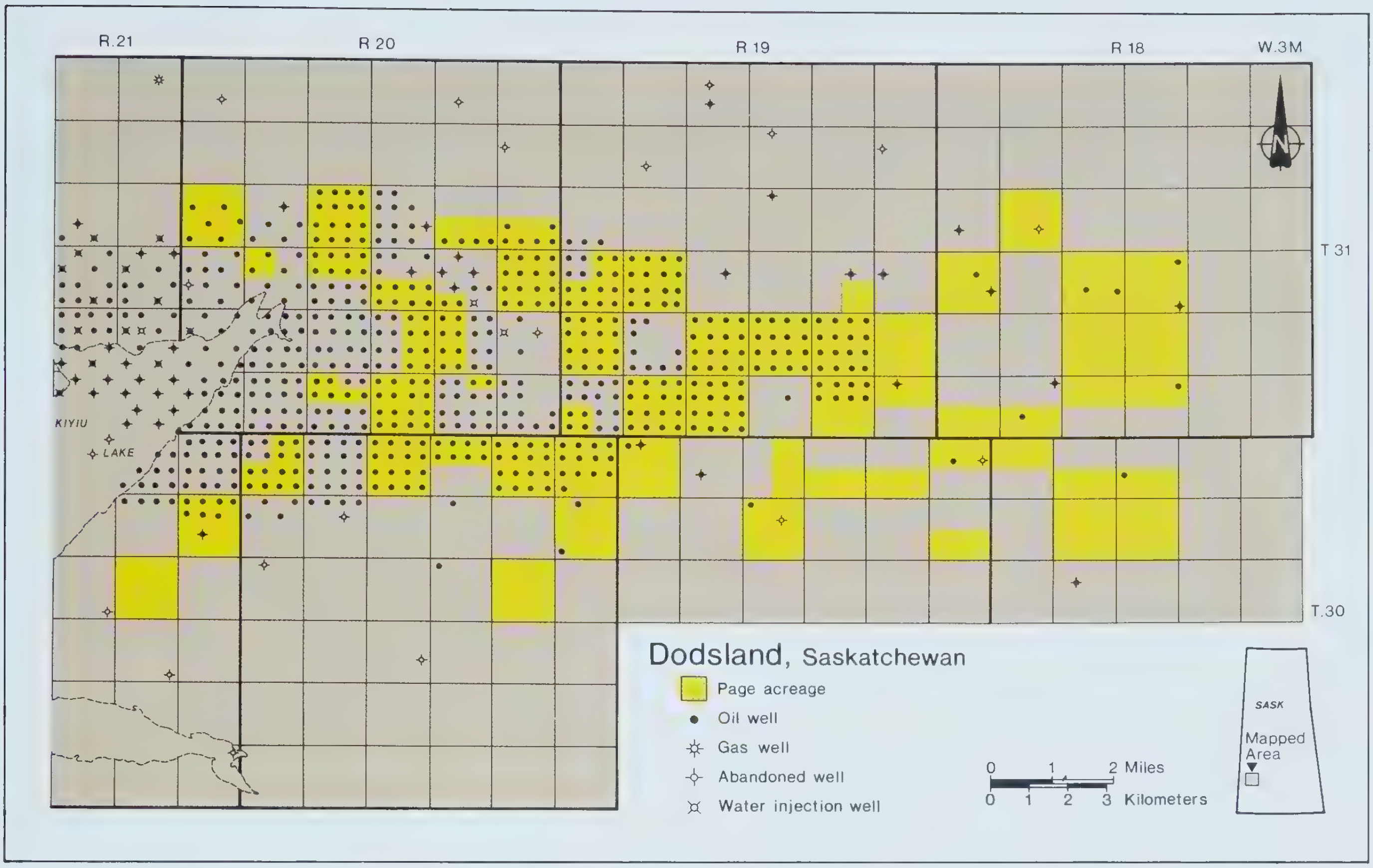
Because of the negative impact of Canada's National Energy Policy announced in October 1980, Page will not conduct its usual large development program in the Dodsland Field and will also reduce the amount of exploratory drilling in Canada. However, in view of the large potential for oil and gas which Page believes to exist in Western Canada, and with the belief that industry economics will improve, the Company intends to maintain a viable exploration program. For the present, Page will concentrate its efforts in acquiring land in prospective areas delineated by geology and geophysics.

SASKATCHEWAN

Dodsland

Page operates 318 wells (316 net) in the Dodsland Field. Of these, 100 were drilled during 1980. Company holdings at Dodsland, as of December 31, 1980, totalled 22,998 net acres of leases and mineral titles.

The Dodsland field produces 34° API gravity oil from the Viking Sand at 2,200 feet. The Company's wells produced an average of 1,735 barrels per day during 1980. Production for the first two months of 1981 averaged approximately 2,317 BOPD. The present oil price is $17.88 per barrel. The low royalty rates and long producing life assure that this will be an area of major importance to the Company for many years. Operating costs averaged $3.42 per barrel during 1980. Revenue from this field in 1980, after deduction of royalties, totalled $8,512,185, or 41% of the Company total.

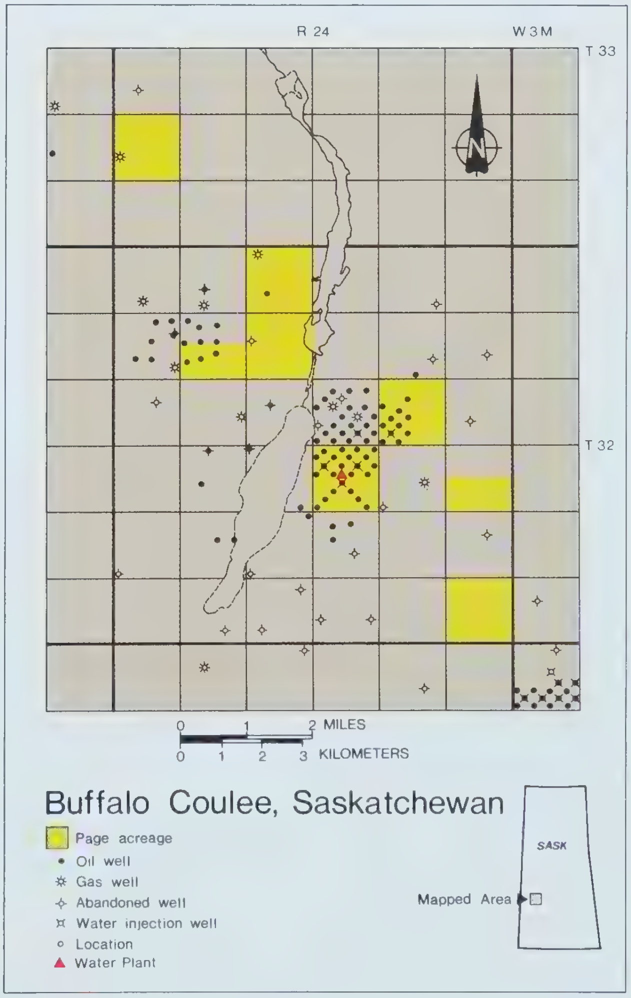


Unless favorable modifications are made to the National Energy Policy, Page will likely drill only eight development wells instead of a more normal 80 to 100 well program. The Company intends to initiate laboratory studies as to possible enhanced recovery schemes in the Viking Sand reservoir, and will also experiment with different types of fracs on several existing wells in an attempt to enhance production rates.

Buffalo Coulee

The Company owns 3,839 acres of leases in the Buffalo Coulee area of western Saskatchewan. In the main Buffalo Coulee field, which produces 13.5 API gravity oil from the Mississippian Bakken Sand, Page has 21 producing oil wells, five water injection wells, and eight shut-in wells. A secondary recovery water injection scheme was initiated in February, 1980. In spite of normal start-up problems plus destruction of part of the water injection plant due to an explosion, some initial response was apparent by year-end. The water injection will be continued during 1981. In addition, Page has plans to commence an experimental "huff and puff" steam injection project in an effort to enhance recovery percentage and production rates.

One and one half miles northwest of the main field the Company owns three additional Bakken Sand oil wells. These wells average 20 BOPD. A seismic program indicates that three additional successful oil wells could be drilled. These wells will be drilled during 1981 and, if commercial, will permit upgrading of production facilities and thus improve the economics in this field.

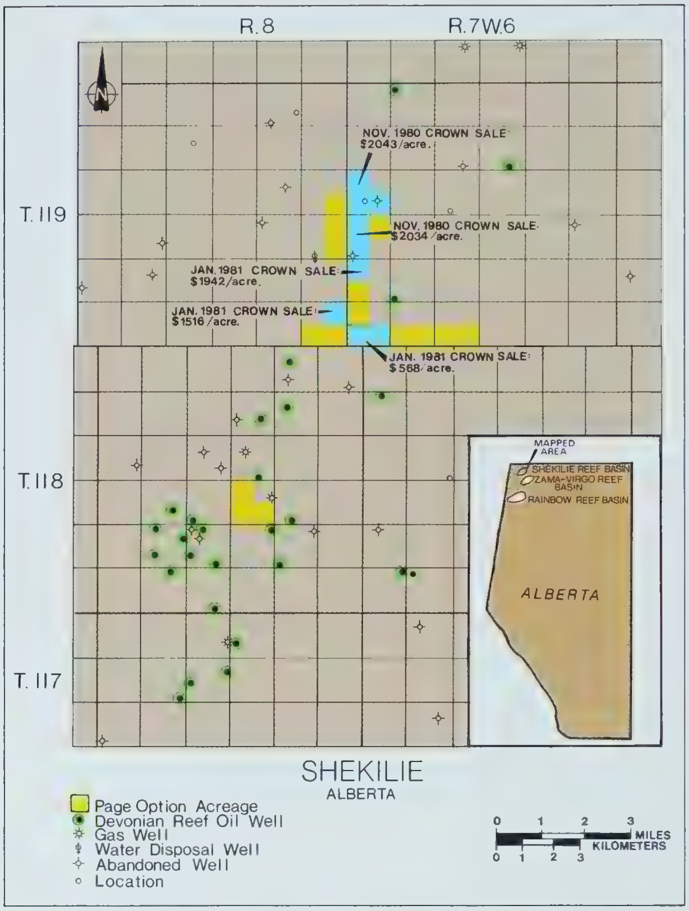


ALBERTA

Shekilie

In the first quarter of 1981, Page shot a 35 mile seismic program over 2,400 acres of Petroleum and Natural Gas leases in the Shekilie Reef Basin. This was the first phase under two seismic option and farmout arrangements under which Page can earn a 50% working interest by the drilling of two 6,500 foot Devonian Keg River Reef test wells. The seismic is presently in the processing centre and should be processed and interpreted by mid-year. Should drillable reef anomalies be found, the exploratory earning wells would be drilled during the 1981-82 winter drilling season.

The Shekilie Reef Basin is prospective for oil in Devonian pinnacle reefs at depths of about 6,500 feet. It is the northernmost of three Devonian reef basins in northern Alberta; the other two being the Rainbow Basin, with recoverable reserves of 793 million barrels and the Zama-Virgo Basin which has reserves of 166 million barrels. At Shekilie, average reserves per well are 1.3 million barrels and production averages 200-300 barrels per day. Twenty-eight such reef fields have been discovered to date. Seven exploratory locations are currently being drilled in the basin including one directly offsetting a lease which Page has under option. Completed well costs are approximately $1.2 million.



South Blood

The Company owns a 100% working interest in 8,123 acres, a 50% working interest in 13,306 acres, and an option on 10,280 acres of leases in the southwest corner of Alberta. Extensive geophysical surveys preceded the drilling of five 6,700 to 8,600 foot wells on these lands in 1980. This drilling resulted in one oil well, two shut-in gas wells, one dry hole, and one well that is currently awaiting completion. For the time being, all details are being held confidential. The area has potential for multiple pay zones in the Cretaceous, Mississippian, and Devonian. Additional drilling awaits further production testing and geological investigation.

Atlee Buffalo

Page holds leases on 19 sections (12,160 acres) at Atlee Buffalo in southeastern Alberta. There are now two shut-in gas wells on the block. The acreage is subject to a gas contract with Pan Alberta providing for delivery of 7.8 million cubic feet of gas per day. Current estimates are that gas may go to market under this contract in 1984-85.

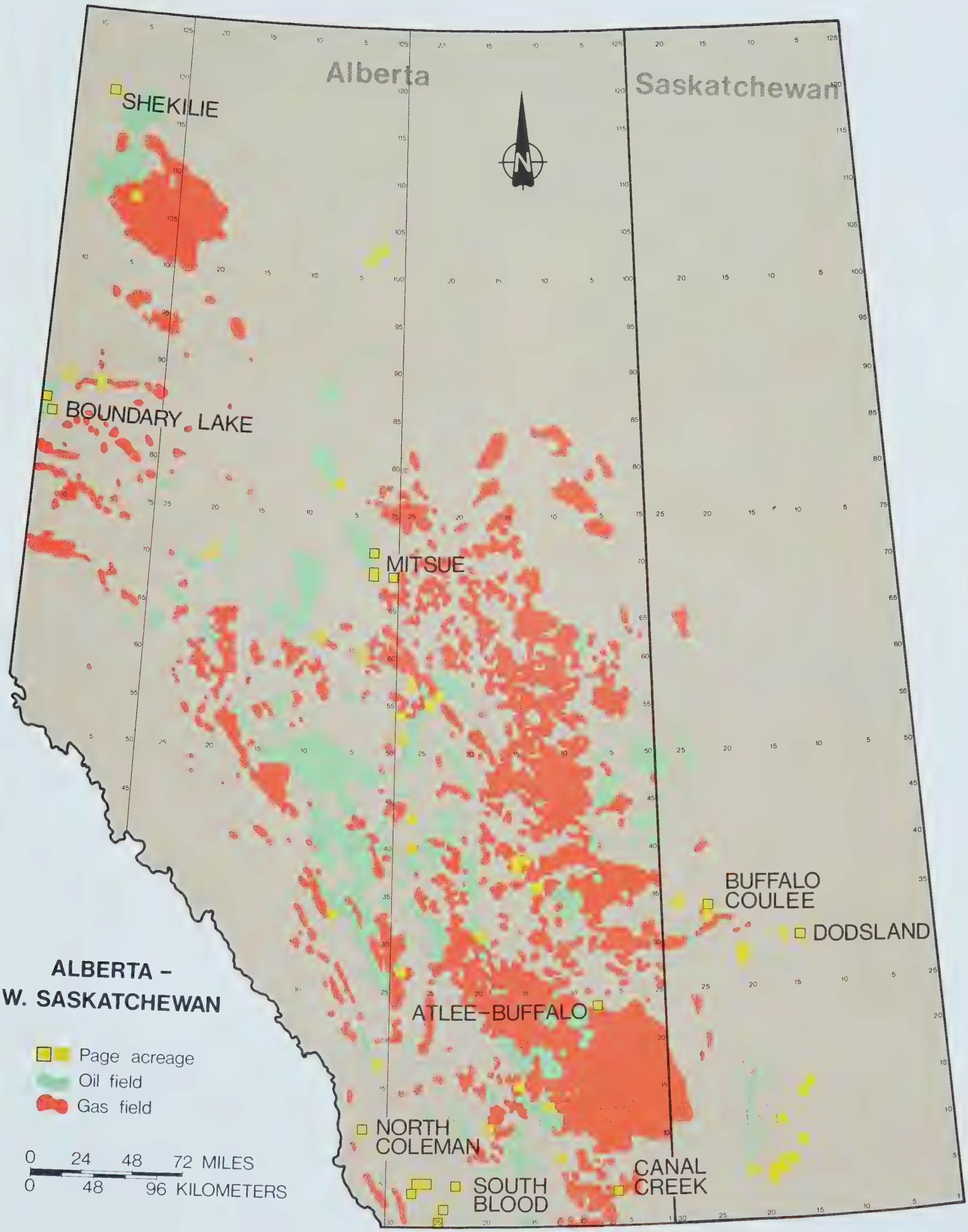
Under the terms of the agreement whereby the Company earns its interest in this acreage, two Paleozoic exploratory wells will be drilled in the summer of this year. Both well sites are located on anomalies delineated by new seismic acquired in 1980.

Canal Creek

During 1980, the Company, as part of its regional seismic program, surveyed approximately 65 miles of seismic in the Canal Creek area of southeast Alberta. A prospective structural anomaly was delineated and Page subsequently purchased a 3,040 acre Petroleum and Natural Gas License, for a bonus of $162,101 at the March 11, 1981, Alberta land sale. It is planned to farm out an interest in this acreage by having a deep Cambrian test drilled on it by a third party in 1981.

North Coleman

Page owns a 100% working interest in 4,000 acres of freehold land located in the southern Alberta portion of the Foothills (Overthrust) Belt. Seismic surveys indicate the presence of a faulted Mississippian prospect at a depth of approximately 10,000 feet. Additional seismic is planned for the second quarter of 1981. Nearest production is from the Coleman field, seven miles to the southwest. This field has recoverable reserves of 160 billion cubic feet.


Alberta
Saskatchewan
N
SHEKILIE
BOUNDARY LAKE
MITSUE
BUFFALO COULEE
DODSLAND
ATLEE-BUFFALO
NORTH COLEMAN
SOUTH BLOOD
CANAL CREEK
ALBERTA – W. SASKATCHEWAN
Page acreage
Oil field
Gas field
0 24 48 72 MILES
0 48 96 KILOMETERS

UNITED STATES

Page, through its wholly owned subsidiary, Page Petroleum Inc., continues to expand its oil and gas activities in the United States. Oil and gas revenues in the U.S. amounted to 46% of the Company total, compared to 41% in 1979. It is anticipated that 65-70% of Page's revenues in 1981 will be from the U.S.

The Company participated in 36 wells (17.9 net) resulting in 18 (11.5 net) oil and/or gas wells and 18 (6.4 net) dry holes. An aggressive land acquisition program also continued in 1980. At December 31, 1980, Page's U.S. land holdings had increased to 1,814,459 gross acres (689,801 net) from 1,058,806 gross acres (247,663 net).

During the first quarter of 1981, significant additional land acquisitions were made in the Williston Basin in North Dakota, the Black Warrior Basin in Alabama, and the Austin Chalk trend in Texas. Page now has land holdings in 16 states.

UTAH

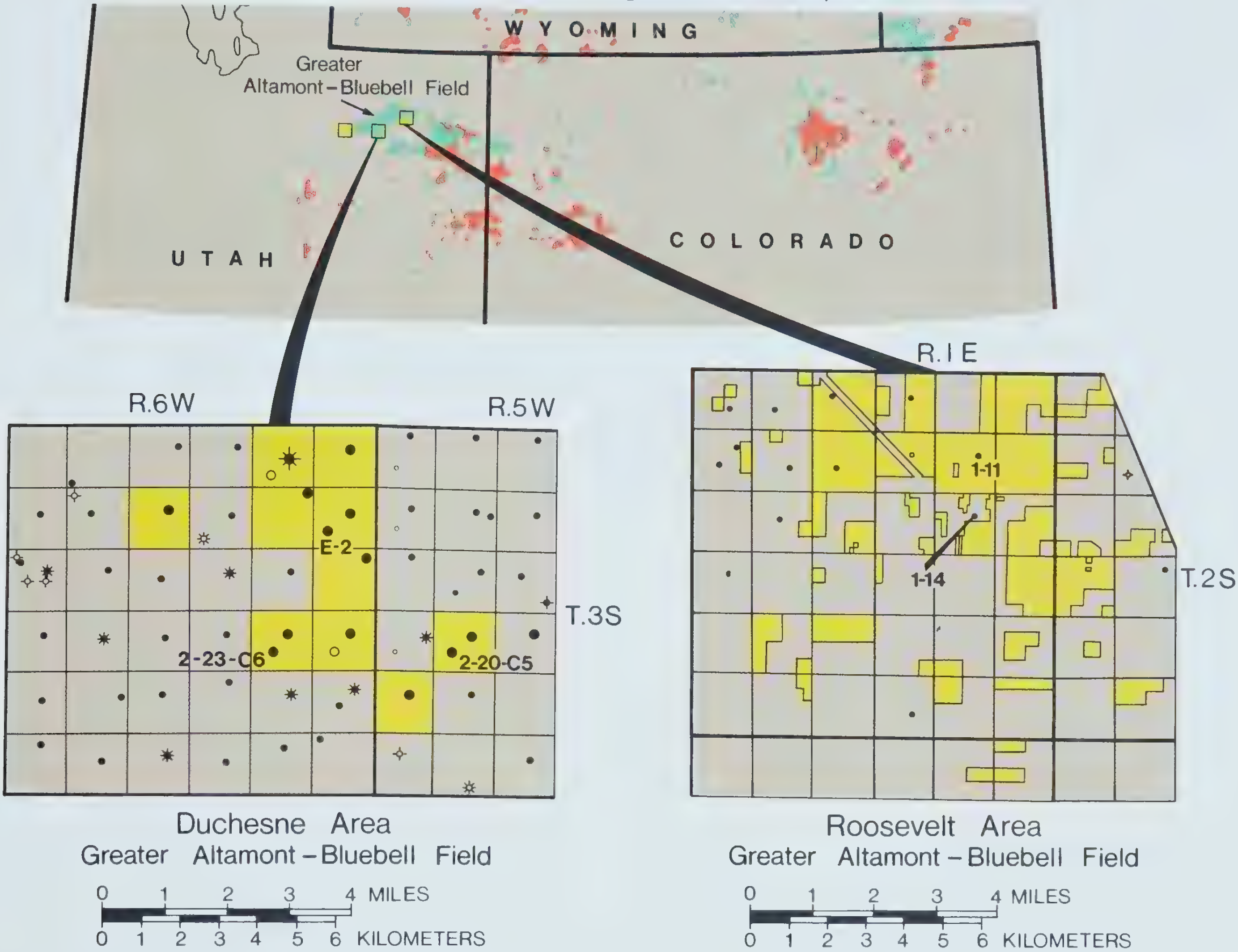
Altamont-Bluebell Field

At December 31, 1980, the Company owned interests in 24 oil wells (15.25 net) in the Altamont-Bluebell Field. One additional wholly owned well was drilling at year end. During 1980, production totalled 331,371 barrels of oil and 182 million cubic feet of gas. Revenues from this production provided 88% of the U.S. net oil and gas income, or 35% of the total for the entire company. Page owned 25,842 gross acres (25,006 net) in the Altamont-Bluebell area at December 31, 1980.

The Company's infill development drilling program was delayed because of unexpected lease title problems affecting three sections in the Duchesne area. A projected 12,300 foot development well, Page Ute Tribal 2-206, was halted on July 20, 1980 at 8,315

Battery at Page Ute Tribal 1-13S6W Well Altamont-Bluebell Field, Utah

Oil And Gas Field Map Showing Geographic Location Of Page's Utah Properties



feet, after setting intermediate casing to protect the hole. The problem affecting this lease stemmed from the allegation that a lease extension issued by the Bureau of Indian Affairs was done so without proper authority. Titles to two other leases are being similarly challenged. Page, following advice from legal counsel, is attempting to resolve these disputes using all administrative and legal means available. It is believed that a conclusion will be reached regarding these leases by the end of 1981.

Two step-out wells, Page 1-11-B1E, and Page 1-14-B1E, were drilled in 1980 in the Roosevelt Area and resulted in modest oilwells in the Green River and Wasatch, respectively. Two infill wells, Page 2-20C5 and Page 2-23C6, located in the Duchesne Area, were completed in the first quarter of 1981. Initial production at 2-20 averaged 322 barrels of oil per day with 2.0 MMCF gas, and 2-23 averaged 204 barrels of oil per day with 500 Mcf gas. Five (3.25 net) additional wells are planned to be drilled in the remainder of 1981.

NEBRASKA

The Company owns a 15.9% working interest in 1,050,000 acres in north central Nebraska. The acreage was acquired at low cost and has over eight years remaining on most of the leases. It is prospective for gas from the Niobrara Chalk at depths of approximately 2,000 feet. The Nebraska Oil and Gas Conservation Commission has recommended to federal authorities that Niobrara Chalk gas be designated a "tight gas sand" and thus warrant a gas price equal to 150% of the standard new gas price. Recent industry activity to the north and west has concentrated on Pennsylvanian oil prospects at depths down to 6,000 feet. The Pennsylvanian underlying the Page acreage is believed to be prospective and is virtually unexplored. Primary exploration, comprising a 1,500 mile gravity program and Landsat Satellite study, is nearing completion. It is planned to follow leads so generated with seismic.

KANSAS

The Company holds 254,546 gross acres (117,523 net) acres in two areas of northeastern Kansas. At Nemaha South, Page owns a 20% interest in 161,600 acres along the Nemaha Uplift and western flank of the Forest City Basin. A total of 450 miles of new seismic was acquired in 1980. This has revealed a very complex structural picture with numerous anomalies prospective for hydrocarbons in the Viola, Hunton and Douglas. Five wildcats were drilled and, of these, four were dry holes. An attempt was made to complete the fifth well as a Viola oil producer, however this well watered out and was also abandoned. A review of the seismic with the new well control indicates a number of undrilled, closed structures. A decision will be made shortly regarding possible additional drilling.

The remaining leases (84,000 acres net to Page) are located on the Clay Center and Leonardville Prospects. Following a seismic program, Page and partners drilled 12 Mississippian tests and one 2,850 foot Precambrian test. All were plugged and abandoned. Page is now negotiating a possible sale of its leases in this prospect for a total consideration of approximately one million dollars net to Page.

ALABAMA, MISSISSIPPI

Page has agreed to take a one-third working interest in a $3 million exploration program in the Black Warrior Basin. This work will be conducted over a 12 month period beginning in March, 1981. The program will be initiated by the acquisition of approximately 450 miles of seismic, of which 200 miles will comprise new, exclusive shooting, and the acquisition of approximately 30,000 acres of leases. It is expected that exploratory drilling will commence in late 1981 or early 1982.

The Black Warrior Basin is prospective for gas in Mississippian deltaic sands at depths ranging from 5,000 to 7,000 feet. It has been subjected to intensive exploratory activity during the last six years and 30 significant gas fields have been discovered. Individual well reserves range from three to ten billion cubic feet of marketable gas per 320 acre spacing unit.

TEXAS

Gomez-Eaton

The Tom Marsh #1 Gomez-Eaton (Page 25%) in Pecos County, encountered severe mechanical problems after drilling approximately 850 feet into the Eilenburger to a total depth of 22,653 feet. The well was plugged back to the Fusselman (Silurian) at 19,253 feet and was completed as a gas well flowing at a rate of 4.3 MMcf of gas per day on calculated absolute open flow. The gas has been contracted at an average price of $5.19 per Mcf, with first deliveries expected by early May. Initial production is expected to average approximately one million cubic feet of gas per day.

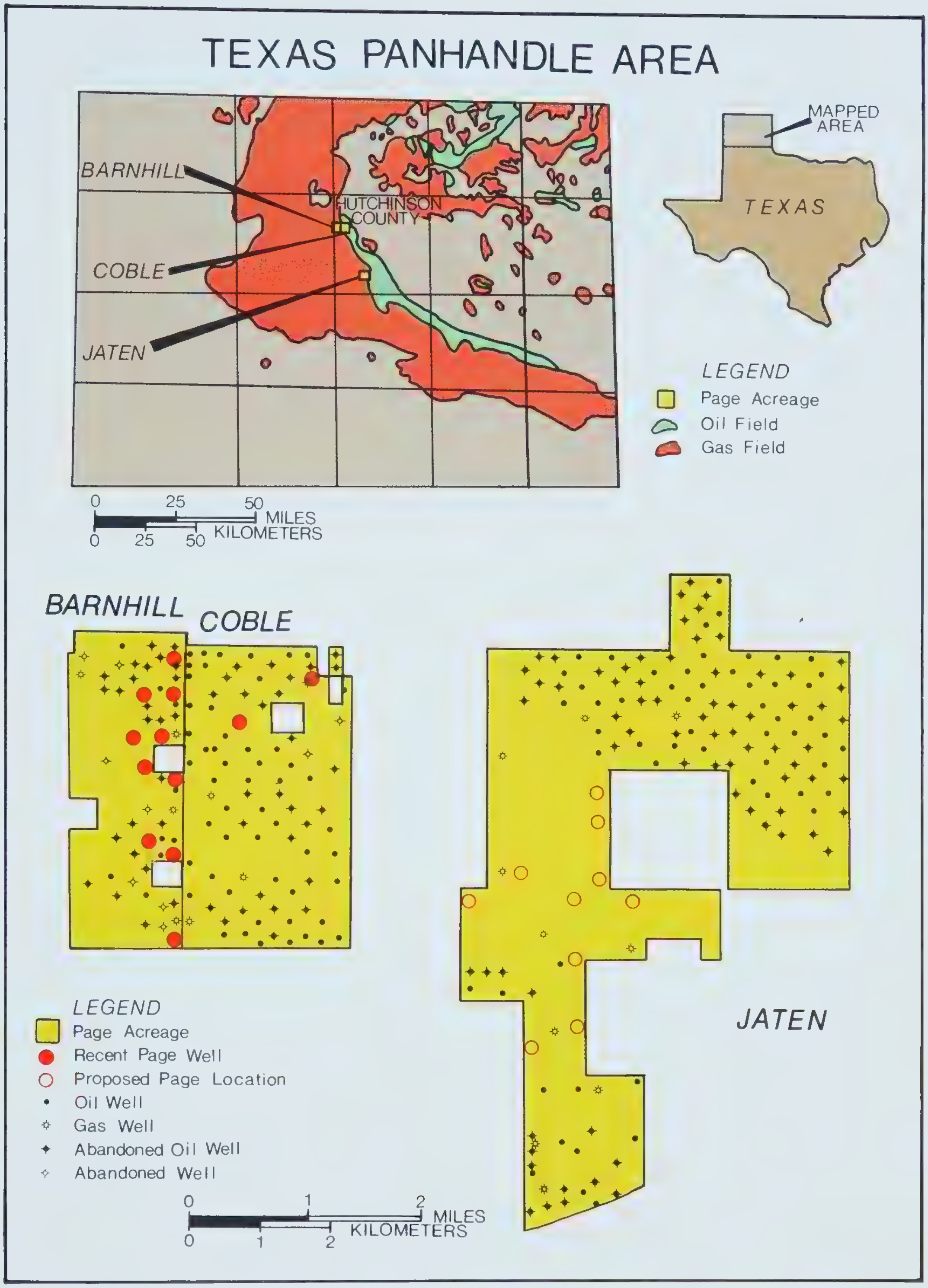
From information gathered during drilling, and from subsequent well log evaluations, the Ellenburger should be commercial at this location. As a result, a follow-up well will be commenced as soon as a rig can be obtained. The Ellenburger is the main producing zone in the Gomez-Eaton Field which has estimated recoverable reserves in excess of 10 trillion cubic feet.

Panhandle Field

Page is in the initial stages of a large development program in the giant Panhandle Field northeast of Amarillo. Twelve shallow oil wells have been drilled to date on the Barnhill and Coble leases. When producing facilities are completed, daily production is expected to average 5 to 15 barrels of oil and approximately 350 Mcf of casinghead gas per well. The wells produce from the White Dolomite and Moore County Lime at approximately 3,100 - 3,300 feet. A substantial portion of the leases were drilled forty to fifty years ago and the wells were subsequently plugged and abandoned during the 1950's. Infill drilling, using modern fracing and completion techniques has resulted in economic wells, especially at today's prices of approximately $36.00 per barrel and $2.50 per Mcf.

The Barnhill lease (Page 80%) and the adjacent Coble lease (Page 40%) together cover approximately 3,720 acres. Full development, on 40 acre spacing, would call for the drilling of 93 wells. It is also possible that at least part of the leases will ultimately be developed on 20 acre spacing. Plans call for Page and partners to drill at least 24 additional wells on the two leases during 1981.

Page has recently acquired shallow oil development rights, calling for the drilling of 96 wells a year, on the 5,000 acre Jaten lease northeast of Sanford in Hutchinson County. The Jaten lease is located approximately nine miles southeast of the Barnhill and Coble leases. Area production statistics indicate that the Jaten wells should have average daily production rates, for the first six months, of approximately 30 barrels of oil and 250 Mcf of casinghead gas. Page



will have a 100% working interest until it recovers all costs of the first 74 wells drilled. At this point, the Company's working interest will be reduced to 50%. Similar payout arrangements will apply to subsequent groups of 48 wells. Page anticipates drilling 55 to 60 wells on this lease in 1981 and up to 100 additional wells in 1982.

Total expenditures by Page on the Barnhill, Coble and Jaten leases in 1981 have been budgeted at $15.3 million. Depending upon the pace of well completions and construction of the necessary production facilities, Page's revenues from this project should approximate $1.5 million per month by year end.

MICHIGAN

The Company holds 21,872 net acres of leases in Saginaw and Midland Counties. The Saginaw County leases (18,500 acres) are located along a major lineament which extends from the southeastern boundary of Saginaw Bay southwestwards into the central portion of the Michigan Basin. Prospective zones range from the Upper Devonian Berea Sandstone (2,300 feet) through the middle Devonian Detroit River, Dundee and Traverse Carbonates, the Ordovician Trenton and Black River Carbonates to the Cambrian Trempealeau Sandstones (11,000 feet). During the first quarter of 1981, Page shot 130 miles of seismic to check out possible structural and geological leads. This program may lead to exploratory drilling later in the year.

Page also owns 2,500 acres in Midland County, on the flanks of the Porter Field which has produced over 50 million barrels of oil from the Dundee Carbonates at 4,000 feet. This field was discovered in the 1930's and present production is mainly of the stripper type. However, there has been recent drilling activity on the flanks of the field, resulting in commercial oil wells. In addition, there is the possibility of deeper drilling to explore the prospective but untouched lower zones referred to in the Saginaw area.

OHIO

Page owns 20,453 net acres of leases in Clinton and Fayette Counties. The acreage is situated along the western margin of the Appalachian Basin and is prospective for oil in the Ordovician Trenton and Cambro-Ordovician Knox Carbonates at depths down to 3,800 feet. Major reserves have been produced in Ohio and Southern Michigan from dolomitized fracture zones in the Trenton formation and commercial production has been obtained from erosional highs on top of the Knox. A gravity-magnetic study is presently being performed and this will be followed by a seismic program during the summer of 1981. Exploratory drilling resulting from the geophysical programs should be commenced by the last quarter of the year.

PENNSYLVANIA

In 1980, the Company acquired 34,051 gross acres (26,010 net) in Lycoming County. The acreage is situated along the eastern overthrust belt and is prospective for gas accumulations in thrust faulted structures in the Devonian Oriskany Sandstones (8,000 feet) and the Silurian Tuscarora Sandstones (11,000 feet). A 100 mile seismic program is planned for this year in an attempt to delineate drillable structures. The acreage is also prospective for shallow Upper Devonian Shale gas down to depths of 4,000 feet. Three old wells situated on the block had good gas shows in the Upper Devonian. Plans are to air drill two Upper Devonian test wells in 1981 to evaluate the gas potential of this sedimentary sequence.

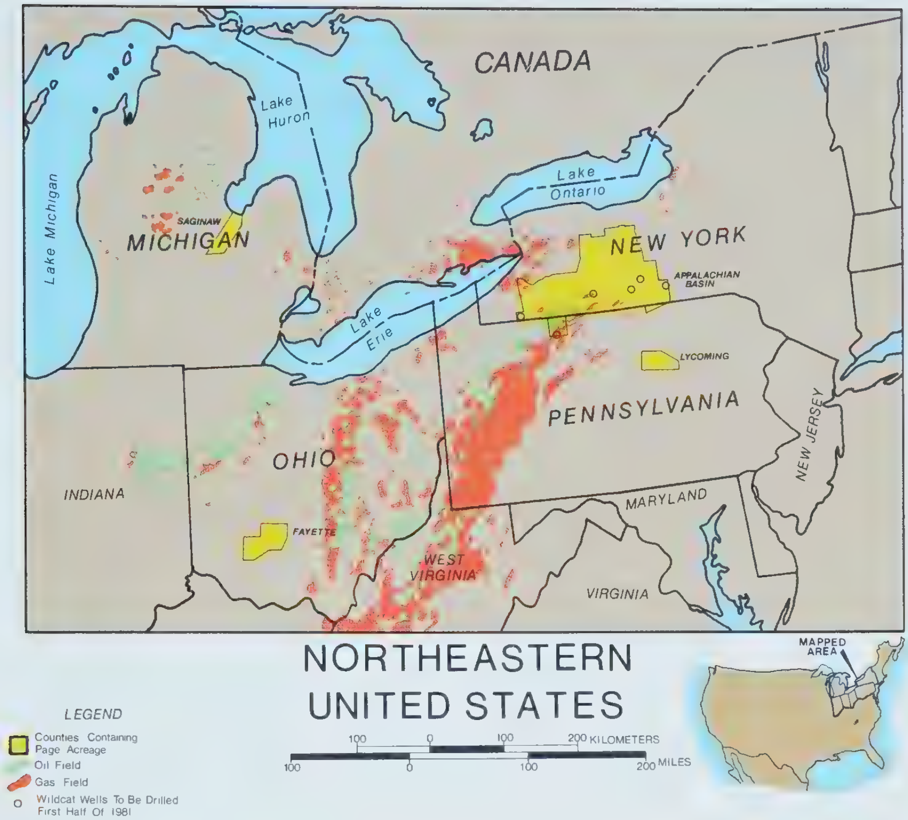
APPALACHIAN BASIN

Page holds a 20% working interest in 79,834 acres in the New York and Pennsylvanian portions of the Appalachian Basin, through an exploration agreement with two other companies. Based on 250 miles of seismic, six wildcat locations ranging from 2,400 feet to 3,300 feet in depth, have been selected to be drilled during the second quarter of 1981. Three wildcats are situated on Devonian Onondagan Reef anomalies, two are located on structural anomalies affecting the Devonian Oriskany Sandstones, and the remaining location is on a Silurian Medina Sandstone stratigraphic play. Onondagan Reefs are gas productive in this area, and reef field sizes range from 3 BCF to 30 BCF of marketable gas. The Oriskany and Medina Sandstones are also gas productive in this region and one of the Oriskany locations is also prospective for Upper Devonian oil. Page and partners plan additional seismic and land acquisitions in this region in 1981.

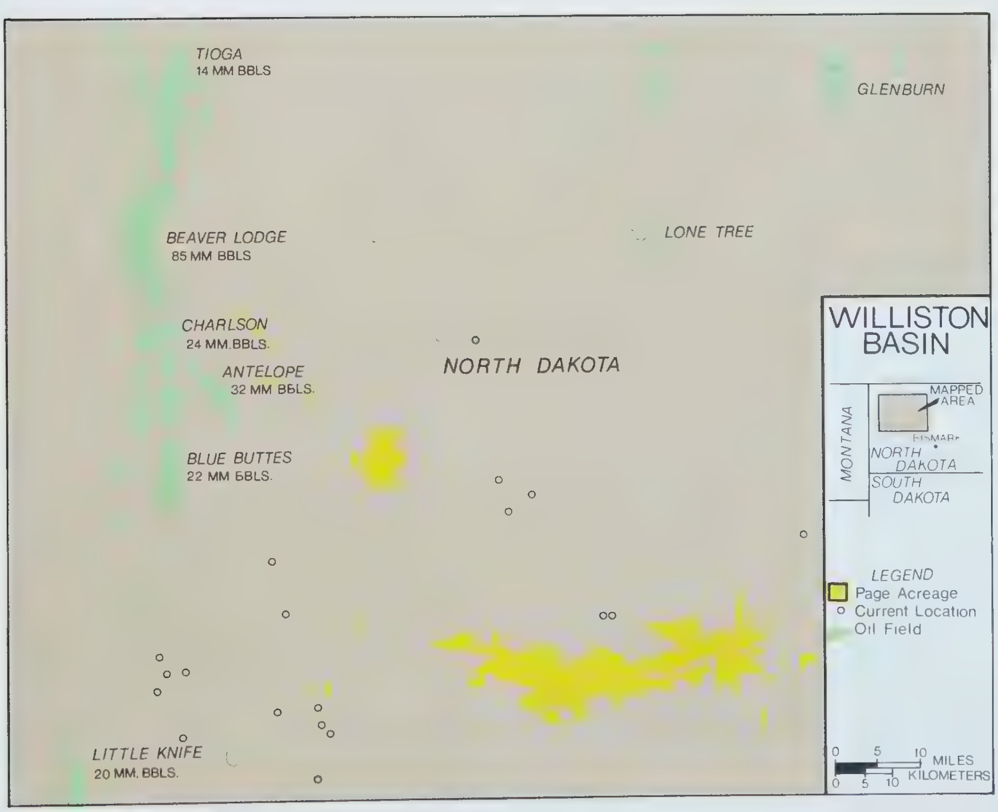
NORTH DAKOTA

In March, 1981, Page entered into an agreement to acquire a 25% working interest in 130,162 acres underlying portions of the Garrison Reservoir in the central part of the Williston Basin. Purchase price was $1,250,000 in cash and 55,000 shares of Page Common Stock. The acreage is part of a 220,000 acre block which is subject to a five year, $25 million exploration agreement between Columbia Gas Corporation and Page et al. Columbia is initially committed to conduct a minimum 1,000 mile seismic program at an estimated cost of $3 million. Columbia has the option to increase its exploration expenditures, including drilling, to a total of $10 million by the end of 1983. A further option provides for Columbia to expend an additional $15 million in exploration drilling during the remaining two years of the program. If the entire program is completed, Columbia will earn a 50% interest in the acreage and Page's interest will be reduced to 12½%.

The Garrison area is situated immediately east of the prolific Nesson Anticline where production is obtained from seven different Paleozoic formations. The general region is the scene of intensive exploration, including seismic programs and the drilling of numerous wildcats. Land prices escalated to $350 per acre at State and Indian lease sales held during the first quarter of 1981.



NORTHEASTERN UNITED STATES



INTERNATIONAL

During the past year, Page greatly increased its involvement in land acquisitions and exploration outside of North America. The areas selected for exploration provide the potential to find large reserves at world prices, and are in countries which are relatively stable politically. In addition to the projects described in this report the Company is participating in applications for exploration agreements in two other countries. Several additional projects are also being evaluated.

AUSTRALIA

Page has joined with two other Calgary based corporations in forming a company, Springwest Page Petroleum N.L., to explore in Australia. This company (Page 33⅓%) has purchased an 8,000 foot capacity drilling rig and will ship it to Australia in the early summer of 1981. There is a shortage of rigs in Australia and it is believed that this rig will be economically successful in its own right, and will also provide Springwest Page with a means to obtain exploration drilling deals.

Springwest Page has entered into an agreement whereby it will earn a 5% working interest in a 747,230 acre permit in the Perth Basin of Western Australia. A $4.9 million exploration program is planned over the next three years. This includes approximately 250 miles of seismic and the drilling of three wells. Closest production to the permit is 10 miles to the south where four Triassic Sand gas fields are currently producing at a rate of 30 billion cubic feet per year. These fields have aggregate reserves in excess of one-half trillion cubic feet. The proposed pipeline route, from the Exmouth Plateau region of the Northwest Shelf to Perth, crosses the permit from north to south.

EGYPT

Page obtained a 20% interest in two concessions in Egypt during 1980. At Sheiba, in the Western Desert, the concession comprises 1.3 million acres and is straddled to the north and south by a group of 50 million barrel oil fields. These fields produce at depths ranging from 5,500 feet to 9,000 feet. The Abu-Al Gharadig field situated to the south has a daily production of 9,000 barrels of oil and 30 million cubic feet of gas. To the north, the El Alamein field produces 6,000 BOPD, the Yadma field 3,000 BOPD and the Razzak field 12,000 BOPD. This concession has a 5½ year exploratory term, requiring expenditures of $18 million if the Page group should elect to maintain the concession for the full term. The initial phase is for 2½ years during which time $5 million must be invested in exploration activities, including the drilling of at least one well.

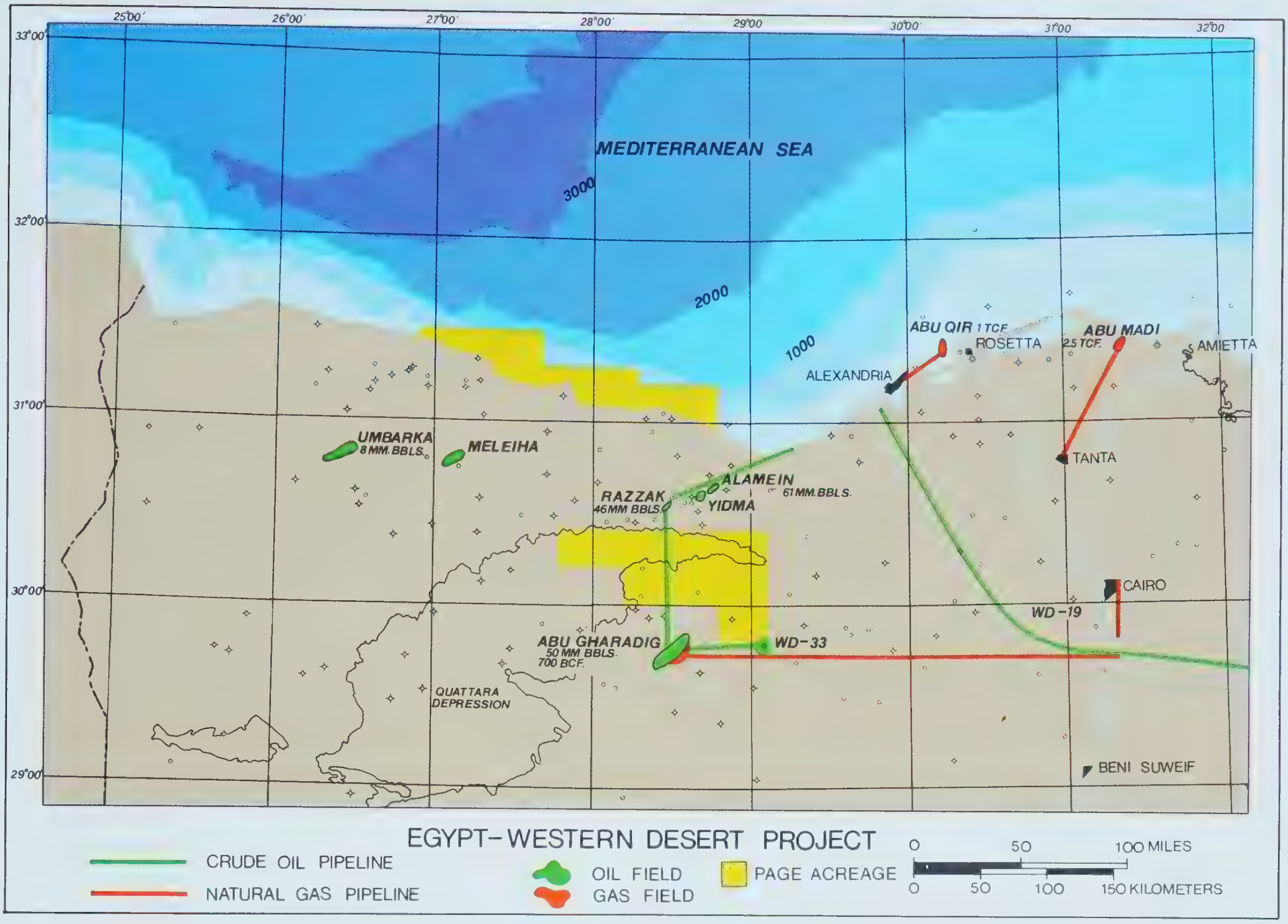
The Ras El Hekima concession, containing 806,000 acres, is situated offshore in the Mediterranean Sea west of Alexandria, and is covered by water depths ranging up to a maximum of 1000 feet. It also has a 5½ year term with potential expenditure commitments of up to $18 million. However, the first phase of one year has a committment of only $1 million with no drilling obligation and is, in effect, seismic option.

UNITED KINGDOM (NORTH SEA)

Page Petroleum (U.K.) Ltd., as part of the Premier Consolidated Oilfields group, owns a 1.8% working interest in block 29/8b and 9b in the British sector of the North Sea. The block, consisting of 25,280 acres, is located 145 miles east of Aberdeen, Scotland in about 300 feet of water.

Seismic surveys indicate the presence of a faulted structure similar to that of the Clyde field which has recoverable reserves of 500 million barrels of oil. Estimated costs for a 16,000 foot Devonian test to evaluate the Permian and Jurassic target zones is $12 million. The final decision regarding the drilling of such a well has yet to be made.

Nearest production to the block is 20 miles to the southeast from the Fulmar field (recoverable reserves of 500-525 million barrels of oil), where a permanently moored tanker terminal is located. Production from the Fulmar field is expected to commence early in 1981 at a rate of 100,000 BOPD.


MEDITERRANEAN SEA
3000
2000
1000
ABU QIR 1 TCF
ROSETTA
ABU MADI 2.5 TCF
AMIETTA
ALEXANDRIA
TANTA
UMBARKA 8 MM BBLS.
MELEIHA
ALAMEIN 61 MM BBLS.
RAZZAK 46 MM BBLS.
YIDMA
CAIRO
WD-19
ABU GHARADIG 50 MM BBLS. 700 BCF
WD-33
QUATTARA DEPRESSION
BENI SUWEIF
25°00′
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EGYPT-WESTERN DESERT PROJECT
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NATURAL GAS PIPELINE
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PAGE ACREAGE
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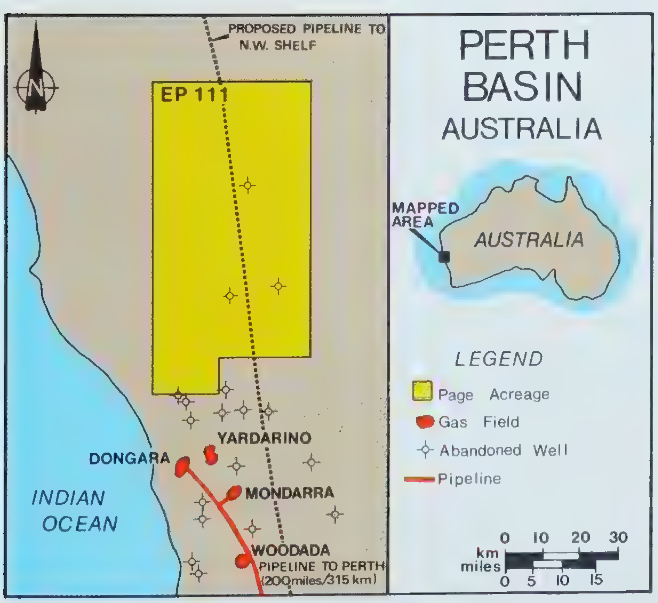
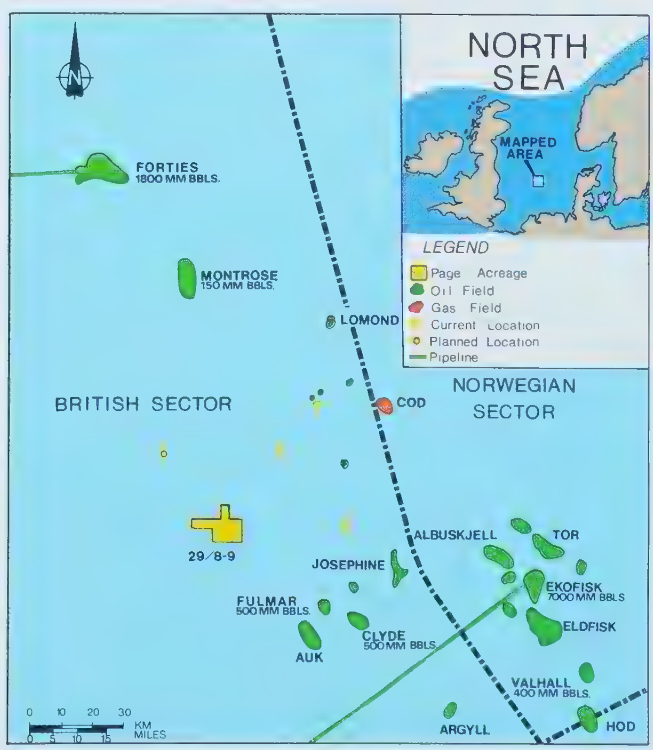

PROPOSED PIPELINE TO N.W. SHELF
EP 111
YARDARINO
DONGARA
MONDARRA
WOODADA
PIPELINE TO PERTH (200 miles/315 km)
INDIAN OCEAN
PERTH BASIN
AUSTRALIA
MAPPED AREA
AUSTRALIA
LEGEND
Page Acreage
Gas Field
Abandoned Well
Pipeline
0 10 20 30 km
miles 0 5 10 15


NORTH SEA
MAPPED AREA
LEGEND
Page Acreage
Oil Field
Gas Field
Current Location
Planned Location
Pipeline
FORTIES 1800 MM BBLS.
MONTROSE 150 MM BBLS.
LOMOND
BRITISH SECTOR
COD
NORWEGIAN SECTOR
29/8-9
ALBUSKJELL
TOR
JOSEPHINE
EKOFISK 7000 MM BBLS
FULMAR 500 MM BBLS.
ELDFISK
CLYDE 500 MM BBLS
AUK
VALHALL 400 MM BBLS.
ARGYLL
HOD
0 10 20 30 KM
0 5 10 15 MILES

FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

The summary of operations below should be read in conjunction with the Notes to Consolidated Summary of Operations which appear herein and with respect to the years ended December 31, 1980 and 1979 reference should be made to the Consolidated Financial Statements and Notes which appear in this Annual Report.

	1980	1979	1978	1977	1976
	(thousands of Canadian dollars except per share data)				
Total Income	$ 21,383	$ 11,674	$ 5,060	$ 2,017	$ 720
Operating costs and expenses	8,410	4,842	1,877	745	322
Depreciation, depletion and amortization	6,379	3,778	1,418	490	215
Interest on long-term debt	5,513	2,355	709	370	219
Amortization of deferred financing charges	292	91	26	27	12
Provision for income taxes	173	235	223	88	(55)
Loss from discontinued operations	1,775	406	8	—	—
	22,542	11,707	4,261	1,720	713
Net Earnings (loss)	(1,159)	(33)	799	297	7
Preferred Dividends	140	445	183	—	—
Net Earnings (loss) Applicable to Common Shares	$ (1,299)	$ (478)	$ 616	$ 297	$ 7
Earnings (loss) per Common Share	$ (.37)	$ (.18)	$ .30	$ .17	$ .005
Weighted Average Number of Common Shares Outstanding	3,479,848	2,724,250	2,027,709	1,704,661	1,408,753

1980 Compared with 1979

The Company incurred an overall net loss of $1,159,000 in 1980, compared to $33,000 in 1979. This was caused by a $1,775,000 loss incurred by businesses that are being discontinued. These businesses had an operating loss of $800,000 for the year and a provision has been allowed for losses on disposition of $975,000. It is expected that the $975,000 provision is adequate to cover all losses that will be incurred on disposition of these businesses. Management has now finalized the sale of the shares of two companies and one subsidiary, the assets of one division plus the major assets of another subsidiary, exclusive of its oil and gas properties. It is expected that the sale of two other subsidiaries will be completed by the end of the second quarter. Negotiations are virtually completed on all major businesses to be sold and therefore management is in a position to closely estimate the losses that will be incurred on disposition of the above mentioned businesses. With disposition of these non-profitable businesses nearly completed, the Company will not be called upon to absorb major losses from these operations in 1981.

The net loss applicable to common shares totalled $1,299,000, or 37¢ per common share. This compares with the net loss applicable to common shares in 1979 of $478,000 or 18¢ per common share. Earnings from continuing operations before income taxes, were $616,000, an increase of 65%.

Higher interest costs experienced during 1980, coupled with the large borrowings made to finance the capital expenditures resulted in a 234% increase in interest expense. It is interesting to note that analysis of the expenses show that interest on long-term debt is the only item, other than losses on discontinued operations, that increased disproportionately to revenue in 1980. In 1981, interest expense will increase again as the Company intends to finance its capital budget by means of cash flow and bank

borrowing as opposed to issuing additional equity. However, management has moved to reduce the rate of interest by negotiating a financing package with The Royal Bank of Canada at more attractive interest rates than the Company has obtained to date. The Company negotiated an $85,000,000 line-of-credit which, when combined with the internally generated funds, will adequately cover the Company's financial requirements for 1981.

Funds generated from operations totalled $6,905,000 an increase of 52% over the $4,533,000 in 1979. Capital expenditures increased 21% to $36,749,000 in 1980 from $30,256,000 in 1979. The capital expenditures in 1980 were 5.3 times the funds generated from operations, compared with the multiple of 6.7 in 1979.

The Company plans capital expenditures for 1981 of approximately $57,000,000, of which approximately $10,000,000 will be in Canada. $43,000,000 in the United States and $4,000,000 in other foreign jurisdictions. The expenditures all relate to petroleum exploration and production activities.

On April 29, 1980, the Company completed the sale in the United States of $25,000,000 (U.S.) aggregate principal amount of 10% Convertible Subordinated Debentures due 2000. The debentures are convertible into common shares at any time at the option of the debenture holders at a price of $20 (U.S.) per share. The proceeds to the Company amounted to $24,087,500 (U.S.) before expenses of the issue estimated at $550,000 (U.S.)

The Board of Directors is proposing an increase in the authorized capital of the company at the next shareholders meeting of 10,000,000 common shares, no par value. The proposed increase will bring the total authorized common share capital to 20,000,000 common shares, no par value. This increase will provide greater flexibility for future financing and a possible stock split, should the need arise. The company, at present, has only 3,492,750 common shares outstanding and a reserve for a further 1,250,000 common shares for conversion of the 10% Convertible Subordinated Debenture described above.

As part of the financial statements, the Company has presented supplementary information based upon the Reserve Recognition Accounting rules issued by the Securities and Exchange Commission. However, the Company cautions that this method of accounting is still in the development stage and the actual method adopted may differ from that presently in existence.

Particular attention should be directed to the "Reserve Recognition Accounting" section of the Supplementary Information.

1979 Compared with 1978

Total income from continuing operations increased $6,614,000 (131%) over 1978, including an increase of $6,676,000 (135%) in oil and gas sales. Oil production increased 98%, while the weighted average sales price per barrel increased 24%. Gas production increased 63%, while the weighted average sales price per Mcf increased 15%. The increased oil volumes resulted from a 106-well drilling program carried out in 1979 in the Dodsland and Buffalo Coulee areas of west central Saskatchewan and production from the Altamont-Bluebell Field in the Uintah Basin of Utah, where the Company purchased most of its interests in February 1979. Total revenues attributable to the Utah properties aggregated $3,212,000. Increased gas volumes resulted primarily from including a full year of production from the Laketon Field of Gray County, Texas, where the Company purchased its interests in April 1978.

Total expenses from continuing operations increased $7,036,000 (175%) over 1978. The $2,089,000 (156%) increase in production costs was attributable to the lifting costs associated with the higher levels of production and the new oil production in the Altamont-Bluebell field. Costs associated with production in this field which aggregated $1,058,000 are higher than average because of special heating equipment necessary to produce high paraffin content oil. General and administrative costs increased $876,000 (163%) primarily as a result of the increased number of employees required to administer a larger exploration and development program.

The increase of $2,360,000 (166%) in depreciation, depletion and amortization reflects the impact of the high level of capital expenditures during 1978 and 1979 and the increased level of production.

Interest costs increased $1,646,000 (232%) reflecting higher interest rates and increased borrowings to finance the capital expenditure program.

Total income taxes increased $12,000 (5%). The total income tax expense amounted to 39% of pre-tax earnings, compared with 22% in 1978. See "Statements of Consolidated Income Taxes".

AUDITOR'S REPORTS

To the Shareholders of Page Petroleum Ltd.:

We have examined the consolidated balance sheets of Page Petroleum Ltd. (an Alberta company) and subsidiaries as of December 31, 1980 and 1979 and the related consolidated statements of earnings, shareholders' equity, changes in financial position and income taxes for the two years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Page Petroleum Ltd. and subsidiaries as of December 31, 1980 and 1979, and the results of their operations and changes in their financial position for the years then ended, in accordance with generally accepted accounting principles consistently applied during the periods and on a basis consistent with that of the preceding year after giving retroactive effect to the change (with which we concur) in the application of the full cost method of accounting, as described in Note 2 of the Notes to Consolidated Financial Statements.

We also reviewed the adjustments described in Note 2 of the Notes to Consolidated Financial Statements that were applied to restate the 1978 financial statements. In our opinion, such adjustments were appropriate and have been applied to the 1978 financial statements.

Calgary, Canada
April 9, 1981

ARTHUR ANDERSEN & CO.
Chartered Accountants

To the Shareholders of Page Petroleum Ltd.:

We have examined the consolidated balance sheet of Page Petroleum Ltd. and subsidiaries as of December 31, 1978 and the related consolidated statements of earnings, shareholders' equity, changes in financial position and income taxes for the year then ended, before the restatement to give effect to the change in the application of the full cost method of accounting as described in Note 2 of the Notes to Consolidated Financial Statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements designated above present fairly the consolidated financial position of Page Petroleum Ltd. as of December 31, 1978, and the consolidated results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, before the restatement to given effect to the change in the application of the full cost method of accounting as described in Note 2 of the Notes to Consolidated Financial Statements.

Calgary, Canada
March 12, 1979

COLLINS BARROW
Chartered Accountants

PAGE PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended DECEMBER 31, 1980, 1979 and 1978

(Thousands of Canadian dollars)

	1980	1979	1978 (Restated)
INCOME			
Oil and gas sales, net of royalties	$ 20,804	$ 11,606	$ 4,930
Investment and other income	579	68	130
	21,383	11,674	5,060
EXPENSES			
Production	5,797	3,429	1,340
General and administrative	2,613	1,413	537
Interest on long-term debt	5,513	2,355	709
Depreciation, depletion and amortization	6,379	3,778	1,418
Amortization of deferred financing changes	292	91	26
	20,594	11,066	4,030
Earnings from continuing operations before income taxes	789	608	1,030
INCOME TAXES			
Current	(195)	(178)	(145)
Deferred	368	413	368
	173	235	223
Earnings from continuing operations	616	373	807
DISCONTINUED OPERATIONS (Note 3)			
Loss from operations of discontinued businesses (net of applicable income taxes of $54 in 1980)	800	406	8
Provision for loss on disposal of discontinued businesses (net of applicable income taxes of $50 in 1980)	975	—	—
	1,775	406	8
NET EARNINGS (LOSS)	(1,159)	(33)	799
Preferred dividends	140	445	183
Net earnings (loss) applicable to common shares	$ (1,299)	$ (478)	$ 616
Earnings (loss) from continuing operations per common share (basic and fully diluted)	$ 0.14	$ (0.03)	$ 0.31
Net earnings (loss) per common share (basic and fully diluted)	$ (0.37)	$ (0.18)	$ 0.30
Weighted average number of common shares outstanding	3,479,848	2,724,250	2,027,709

The accompanying notes are an integral part of these consolidated financial statements.

PAGE PETROLEUM LTD.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1980, 1979 and 1978

(Thousands of Canadian dollars)

ASSETS

	1980	1979	1978 (Restated)
CURRENT ASSETS			
Cash	$ 204	$ 373	$ —
Accounts receivable (Note 6)	7,392	4,721	1,550
Note receivable	—	—	960
Provincial royalty tax credit	255	201	171
Inventories – at cost	1,469	1,089	226
Prepaid expenses	73	31	67
	9,393	6,415	2,974
INVESTMENTS AND ADVANCES (Note 3)	6,560	3,620	—
PROPERTY, PLANT AND EQUIPMENT – at cost (including oil and gas properties accounted for by the full cost method of accounting) (Notes 4 and 6)	88,564	52,172	21,943
Less: Accumulated depreciation, depletion and amortization	13,120	7,098	3,063
	75,444	45,074	18,880
OTHER ASSETS (Note 5)	3,284	1,539	1,581
	$94,681	$56,648	$23,435

APPROVED ON BEHALF OF THE BOARD

Lawton L. Clark DIRECTOR

J. S. Cathcart DIRECTOR

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES

	1980	1979	1978 (Restated)
CURRENT LIABILITIES			
Outstanding cheques	$ 2,088	$ —	$ 1,564
Accounts payable and accrued liabilities	8,165	5,799	538
Current maturities of long-term debt (Note 6)	229	1,360	758
	10,482	7,159	2,860
LONG-TERM DEBT (Note 6)	62,282	26,645	10,182
DEFERRED INCOME TAXES	1,790	1,422	1,009
COMMITMENTS AND CONTINGENT LIABILITY (NOTE 7)			
SHAREHOLDERS' EQUITY			
Share capital (Notes 8 and 9)			
Authorized			
10,000,000 Preferred Shares with a par value of $10			
10,000,000 Common Shares without par value			
Issued and outstanding			
7% Cumulative Redeemable Convertible Preferred Shares Series A	—	—	5,000
7% Cumulative Redeemable Convertible Preferred Shares Series B	—	9,687	—
Common Shares	20,453	10,755	2,924
	20,453	20,442	7,924
Contributed surplus	250	250	250
Capital redemption reserve fund (Note 8)	204	47	—
Retained earnings (deficit)	(780)	683	1,210
	20,127	21,422	9,384
	$94,681	$56,648	$23,435

PAGE PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Years ended DECEMBER 31, 1980, 1979 and 1978

(Thousands of Canadian dollars, except share data)

	Preferred Shares		Common Shares		Contributed Surplus	Capital Redemption Reserve Fund	Retained Earnings
	Series A	Series B	Shares	Amount			
Balances, December 31, 1977 (Restated)	$ —	$ —	1,999,252	$ 2,747	$250	$ —	$ 594
Issue of 500,000 7% Cumulative Redeemable Convertible Preferred Shares	5,000	—	—	—	—	—	—
Exercise of employee stock options	—	—	64,166	172	—	—	—
Conversion of 7% convertible debentures	—	—	2,000	5	—	—	—
Net earnings	—	—	—	—	—	—	799
Dividends on preferred shares	—	—	—	—	—	—	(183)
Balances, December 31, 1978 (Restated)	5,000	—	2,065,418	2,924	250	—	1,210
Issue of 1,000,000 7% Cumulative Redeemable Convertible Preferred Shares	—	10,000	—	—	—	—	—
Conversion of preferred shares Series A	(4,953)	—	717,396	4,949	—	—	—
Series B	—	(313)	16,554	313	—	—	—
Redemption of preferred shares	(47)	—	—	—	—	47	(49)
Acquisition of Habco Sales Ltd.	—	—	130,000	2,457	—	—	—
Exercise of employee stock options	—	—	31,500	112	—	—	—
Net earnings (loss)	—	—	—	—	—	—	(33)
Dividends on preferred shares	—	—	—	—	—	—	(445)
Balances, December 31, 1979	—	9,687	2,960,868	10,755	250	47	683
Conversion of preferred shares	—	(9,530)	504,283	9,530	—	—	—
Redemption of preferred shares	—	(157)	—	—	—	157	(164)
Exercise of employee stock options	—	—	27,599	168	—	—	—
Net earnings (loss)	—	—	—	—	—	—	(1,159)
Dividends on preferred shares	—	—	—	—	—	—	(140)
Balances, December 31, 1980	$ —	$ —	3,492,750	$20,453	$250	$204	$ (780)

The accompanying notes are an integral part of these consolidated financial statements.

PAGE PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended DECEMBER 31, 1980, 1979 and 1978

(Thousands of Canadian dollars)

	1980	1979	1978 (Restated)
SOURCES OF FUNDS			
Earnings from continuing operations	$ 616	$ 373	$ 807
Discontinued operations	(1,775)	(406)	(8)
Charges to earnings not involving funds:			
Provision for loss on disposal or discontinuance	1,025	—	—
Depreciation, depletion and amortization	6,671	4,153	1,502
Deferred income taxes	368	413	368
Funds generated from operations	6,905	4,533	2,669
Proceeds from issuance of common shares	168	2,569	177
Proceeds from issuance of preferred shares	—	10,000	5,000
Increase in long-term debt	50,755	28,126	6,668
Proceeds from notes receivable	—	—	48
	57,828	45,228	14,562
USES OF FUNDS			
Investment in and advances to Habco Sales Ltd. and affiliated companies	3,965	3,620	—
Dividends on preferred shares	140	445	183
Redemption of preferred shares	164	53	—
Net additions to property, plant and equipment	36,749	30,256	11,358
Additions to other assets	2,037	49	1,542
Repayment and current maturities of long-term debt	15,118	11,663	2,033
	58,173	46,086	15,116
Increase (decrease) in working capital	(345)	(858)	(554)
Working capital (deficiency), beginning of year	(744)	114	668
Working capital (deficiency), end of year	$ (1,089)	$ (744)	$ 114
WORKING CAPITAL CHANGES			
Increase (decrease) in current assets			
Cash	$ (169)	$ 373	$ (286)
Accounts receivable	2,671	3,171	(16)
Note receivable	—	(960)	960
Provincial royalty tax credit	54	30	25
Inventories	380	863	207
Prepaid expenses	42	(36)	60
	2,978	3,441	950
Increase (decrease) in current liabilities			
Outstanding cheques	2,088	(1,564)	1,564
Bank operating loan	—	—	(150)
Accounts payable and accrued liabilities	2,366	5,261	(640)
Current maturities of long-term debt	(1,131)	602	730
	3,323	4,299	1,504
	$ (345)	$ (858)	$ (554)

The accompanying notes are an integral part of these consolidated financial statements.

PAGE PETROLEUM LTD.

STATEMENTS OF CONSOLIDATED INCOME TAXES

Years ended DECEMBER 31, 1980, 1979 and 1978

(Thousands of Canadian dollars)

	1980	1979	1978 (Restated)
Computation of Income Taxes – The total provision for income taxes differs from the amount which would be computed by applying the statutory Federal income tax rate to book income before income tax. The major reasons for this difference are as follows:			
Book income from continuing operations before provision for income taxes	$ 789	$ 608	$1,030
Computed "expected" tax expense	$ 379	$ 280	$ 474
Royalties and other payments to provincial governments which are disallowed as deductions for Canadian federal income tax	1,413	953	610
Rebates by provincial governments related to payments disallowed for Canadian federal income tax	(255)	(234)	(171)
Depletion allowance on oil and gas production income	(62)	(62)	(182)
Federal resource allowance	(995)	(575)	(399)
Provincial income taxes less federal abatements	(17)	16	(50)
Other – net	(290)	(143)	(59)
Actual tax expense – current and deferred	$ 173	$ 235	$ 223
Canadian federal tax rate	48%	46%	46%
Actual tax expense (as a percentage of pre-tax earnings)	22%	39%	22%
An analysis of actual expense follows:			
Canadian	$ (281)	$ (29)	$ 199
United States	454	264	24
	$ 173	$ 235	$ 223
Deferred Income Taxes – Result from timing differences in the recognition of expenses for tax and accounting purposes. The source of these differences and tax effect of each are as follows:			
Excess of income tax capital cost allowances over amount provided for depreciation in the accounts	$ 453	$ 273	$ (184)
Excess of exploration and development expenditures claimed for income tax purposes over amount provided for depletion in the accounts	(85)	140	552
	$ 368	$ 413	$ 368

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts shown in thousands of Canadian dollars, except share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of subsidiary companies except those disposed of or whose operations were discontinued (See Note 3). All consolidated subsidiaries are wholly owned.

(b) Full Cost Method of Accounting

The Company and its subsidiaries follow the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized and charged against earnings as set out below. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. The costs are accumulated in cost centers as follows:

(i) Canada
(ii) United States
(iii) The United Kingdom

The costs accumulated in the Canada and United States cost centers, together with estimated future capital costs associated with proved reserves, are depleted using the unit of production method based upon estimated total proved reserves in each country, as determined by independent engineers. In calculating depletion, natural gas reserves and production are converted to equivalent barrels of oil based upon the relative sales value of each product (which approximates conversion based upon the relative sales value of each product). Proceeds on disposal of properties are ordinarily deducted from accumulated costs without recognition of gain or loss. Any gain or loss realized on the disposition of a major property would be recognized in the statement of earnings.

Costs associated with the United Kingdom cost center are amortized in line with the terms of the leases.

(c) Depreciation

Depreciation of production equipment is provided for on the unit of production method. Depreciation on sundry equipment is computed on the diminishing balance method at rates varying from 20% to 30%. Well servicing equipment is depreciated based upon the number of hours of operation. The hourly rate will amortize the cost, less estimated salvage values, over the estimated economic service lives of the equipment.

(d) Maintenance and Repairs

Maintenance and repairs are charged to earnings when incurred and major renewals and betterments which extend the serviceable life of the properties are capitalized.

(e) Joint Venture Accounting

Substantially all of the Company's exploration and production activities related to oil and gas are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(f) Limited Partnerships

The Company is involved in certain limited partnerships for the purpose of exploring for and producing oil and gas. The Company's investment in these limited partnerships is reflected on a proportionate consolidation basis.

(g) Deferred Financing Costs

Costs incurred in connection with issuance of capital stock and long-term debt are deferred and amortized using the straight line method over seven years from the date of the respective issues.

(h) Foreign Currency Translation

Current assets and current liabilities of foreign subsidiaries are translated to Canadian dollars using the exchange rates in effect at the dates of the balance sheets. Other assets and liabilities are translated at the rate in effect at the date the original transactions took place. Revenue and expense items are translated using average rates of exchange prevailing throughout the year. The aggregate exchange gains or losses included in net earnings in each of the three years ended December 31, 1980 were not significant.

The method of translating long-term debt differs from the method generally accepted in the U.S. If translated into Canadian dollars at year end rates of exchange, long-term debt at December 31, 1980 would increase by $610,000. The differences at December 31, 1979 and 1978 were not significant.

(i) Income Taxes

The Company follows interperiod tax allocation with respect to timing differences in the recognition of revenues and expenses for tax and accounting purposes. It is not expected that the cash outlay for income taxes will exceed income tax expense in any of the next three years. Reference is made to the Statements of Consolidated Income Taxes for the components of and additional information relating to income taxes.

(j) Earnings per Common Share

Earnings per Common Share have been computed in accordance with Canadian generally accepted accounting principles by dividing the net earnings applicable to common shares (after deducting cumulative dividends on preferred shares) by the weighted average number of common shares outstanding during the periods. In determining the aggregate of common shares, no consideration has been given to the number of common shares issuable on the exercise of employee stock options. In determining such aggregate, the number of common shares issued on conversion of securities convertible into common shares were considered to be outstanding from the date of the last dividend or interest payment date.

Earnings per common share assuming full dilution was determined on the assumption that all employee stock options were exercised and all securities convertible into common shares were converted at the beginning of each year (or the time of issuance if later). The earnings were adjusted to give effect to an assumed after-tax amount attributable to the proceeds which would have been received on the exercise of employee stock options and the after-tax effect of interest savings on convertible debt securities.

If earnings per share were calculated on the basis of United States generally accepted accounting principles, the difference from those calculated as described above would not be material.

2. RESTATEMENT OF PREVIOUSLY REPORTED RESULTS

In 1979 the Company adopted the new SEC accounting standards for oil and gas producing activities of companies following the full cost method of accounting. The Company's previous method of full cost accounting was different from the SEC standards, primarily in the calculation of depletion based on one cost center for North America instead of a separate cost center for each of Canada and the United States. The effect of this change was to decrease earnings applicable to Common Shares by $21,000 ($0.01 per share) in 1977 and $205,000 ($0.11 per share) in 1978.

3. DISCONTINUED OPERATIONS

The Company intends to dispose of its well servicing and manufacturing businesses or to discontinue such operations in the first half of 1981. These businesses commenced in 1978 and were carried out through Northline Well Servicing Ltd., a 90% owned subsidiary, Habco Sales Ltd. and its affiliated companies which were acquired in 1979 and other entities which commenced operations in 1980.

A provision for loss on disposition or discontinuance of these operations of $975,000 (net of income taxes of $50,000) has been made in the accompanying financial statements. This provision has been computed based on transactions completed since year-end and management's estimate of the realizable value of the remaining entities.

At December 31, 1980, the investments in and advances to (from) these businesses were composed of the following:

Habco Sales Ltd. and affiliated companies	$5,363
Lift Systems International Division of Page Petroleum Ltd.	2,188
Northline Well Servicing Ltd.	(254)
Other	288
	7,585
Less – Provision for loss on disposal or discontinuance	1,025
	$6,560

The Company applied for governmental consent under the Foreign Investment Review Act in connection with the acquisition of Habco Sales Ltd. and affiliated companies. This consent has not been received and there is no assurance that it will be granted. If the Company is unsuccessful in obtaining the consent, it may be forced to dispose of the oil and gas properties which Habco Sales Ltd. continues to hold.

4. PROPERTY, PLANT AND EQUIPMENT

The amounts at which property, plant and equipment are stated do not purport to represent present or future realizable values. The following is a breakdown of the costs of property, plant and equipment and accumulated depreciation, depletion and amortization by major classification:

	Assets at Cost	Accumulated Depreciation, Depletion and Amortization	Net Investment
December 31, 1980			
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon			
Canada	$50,504	$ 5,545	$44,959
United States	36,035	6,378	29,657
United Kingdom	236	226	10
Sundry	1,789	971	818
	$88,564	$13,120	$75,444
December 31, 1979			
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon			
Canada	$29,345	$3,643	$25,702
United States	18,789	2,425	16,364
United Kingdom	231	223	8
	48,365	6,291	42,074
Well servicing equipment	1,967	332	1,635
Sundry	1,840	475	1,365
	$52,172	$7,098	$45,074
December 31, 1978			
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon			
Canada	$15,164	$1,943	$13,221
United States	5,112	682	4,430
United Kingdom	230	205	25
	20,506	2,830	17,676
Well servicing equipment	667	58	609
Sundry	770	175	595
	$21,943	$3,063	$18,880

5. OTHER ASSETS

	December 31		
	1980	1979	1978
Prepayments, drilling deposits and miscellaneous assets	$ 466	$ 137	$ 109
Real estate held for resale	601	601	1,140
Unamortized deferred financing costs	2,217	801	332
	$3,284	$1,539	$1,581

The deferred financing costs were incurred in connection with the issue of the Company's 7% Cumulative Redeemable Convertible Preferred Shares and 10% Convertible Subordinated Debentures.

6. LONG-TERM DEBT

	December 31 1980	1979	1978
Page Petroleum Ltd.			
Canadian Bank Production Loan, evidenced by promissory notes at the bank's minimum lending rate plus ¾ of 1%	$ 7,625	$20,150	$ 7,923
Mortgage loan, due 1982	240	243	—
10% Convertible Subordinated Debentures ($25,000,000 U.S.)	29,730	—	—
Northline Well Servicing Ltd.			
Canadian Bank Loan, evidenced by promissory notes at the bank's minimum lending rate plus 1¼%, repayable at $35,000 per month (See Note 3)	—	1,721	459
Page Petroleum Inc.			
U.S. Bank Production Loan, evidenced by promissory notes at the bank's prime rate plus 1½% ($20,500,000 U.S.)	24,114	4,094	—
6% Note payable ($596,000 U.S.)	702	798	1,173
9½% Notes payable	—	799	1,283
Other	100	200	102
	62,511	28,005	10,940
Less current minimum maturities	229	1,360	758
	$62,282	$26,645	$10,182

All U.S. long-term debts are recorded on the balance sheet in Canadian dollars based on the exchange rate in effect at the date of receipt of the proceeds. Subsequent to December 31, 1980 the Company arranged a line-of-credit of approximately $85,000,000, the proceeds of which will be used to retire the existing Bank Production Loans and to provide financing for future capital expenditures and working capital requirements. Loans under this line-of-credit will be revolving and, under normal circumstances, there will be no specific repayment terms. Accordingly, none of the Bank Production Loan amounts have been classified as a current liability at December 31, 1980.

The Bank Production Loans are secured by a general assignment of accounts receivable and certain specific oil and gas properties.

The 10% Convertible Subordinated Debentures are unsecured, subordinated obligations of the Company, maturing April 1, 2000. The debentures are convertible into common shares at $20 (U.S.) per share, subject to adjustment under certain conditions and to prior redemption. The debentures are redeemable:

(i) At any time at the Company's option at 109.47% prior to April, 1982 and at declining prices thereafter and,

(ii) Commencing April 1, 1991, at their principal amount through operation of a sinking fund, in an annual amount of not less than 10% nor more than 20% of the debentures outstanding on March 31, 1990.

7. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed bank and other indebtedness of Habco and its subsidiaries (see Note 3) to a maximum of $8,950,000.

On July 18, 1980, the Federal Government of the United States, as alleged Trustee for the Ute Indian Tribe, instituted legal proceedings seeking to enjoin Page Petroleum Inc., a subsidiary of the Company, from continuing drilling activities on certains lands in Utah. The Company has counterclaimed to obtain quiet title to these lands. Pending the outcome of these proceedings, the Company has suspended drilling activities on the lands subject to litigation.

In the opinion of the Company's litigation counsel, the outcome of this action is difficult to predict. The Company believes that the outcome on this proceeding will not have a material effect on the Company's financial position or results of operations.

Costs of drilling and exploration on such lands to date aggregating $1,061,000 have been included in property, plant and equipment on the accompanying balance sheet in accordance with the full cost method of accounting for oil and gas properties.

Reference is made to Note 10 for commitments under leases.

8. PREFERRED SHARES

During 1980, 953,276 of the Series B Preferred Shares were converted into 504,283 common shares and the remainder were redeemed at $10.50 per share.

During 1979, 495,285 of the Series A Preferred Shares were converted into 717,396 common shares and the remainder were redeemed at $10.50 per share.

In accordance with the provisions of The Alberta Companies Act, amounts of $157,000 and $47,000, equal to the par value of the shares redeemed, were transferred from retained earnings to the capital redemption reserve fund.

9. COMMON SHARES

(a) Shares Reserved for Conversion of 10% Convertible Subordinated Debentures

There were 1,250,000 common shares reserved at December 31, 1980 for issuance upon the conversion of the $25,000,000 (U.S.) 10% Convertible Subordinated Debentures (see Note 6).

(b) Options to Purchase Common Shares

There were 183,735 common shares reserved at December 31, 1980 for issuance upon the exercise to 1985 of employee stock options at prices ranging from $2.59 to $28.35 per share.

The stock options have been granted from time to time to certain employees at a price equal to 90% (85% prior to August, 1978) of the fair market value of the common shares on the date of grant. Options granted prior to January 1, 1979 were for a term of three years from the date of grant and are exercisable, on a cumulative basis, as to one-third of the option shares in each of the first, second and third years after the date of the grant. Options granted after December 31, 1978 are for a term of five years from the date of grant and are exercisable, on a cumulative basis, as to one-third of the option shares in each of the second, third and fourth years after the date of the grant. As a result the options have become or will become exercisable without restriction in varying amounts at varying dates and by December 12, 1984 all of the options outstanding on December 31, 1980 will have become exercisable in full.

During 1980, 1979 and 1978 options for 27,599, 31,500 and 64,166 common shares, respectively, were exercised at prices from $2.59 to $14.85, $2.59 to $6.08 and $1.52 to $6.08 per common share, respectively.

(c) Authorized Share Capital

At the annual and special general meeting of the shareholders held on May 23, 1980 resolutions were passed to increase the authorized share capital of the Company as follows:

(i) Common shares were increased from 5,000,000 shares without nominal or par value to 10,000,000 shares without nominal or par value and without a maximum aggregate consideration.

(ii) Preferred shares were increased from $10,000,000 divided into 1,000,000 shares with a nominal or par value of $10.00 each, to $100,000,000 divided into 10,000,000 shares with a nominal or par value of $10.00 each.

10. LEASED ASSETS AND LEASE COMMITMENTS

The Company has certain lease obligations covering rental of office space. The minimum rental commitments under all leases are as follows:

Year ending December 31, 1981	$ 269
1982	349
1983	1,533
1984	1,533
1985	1,414
Five years ending December 31, 1990	6,015
	$11,113

11. BUSINESS SEGMENTS

The Company's operations consist of oil and gas exploration and production. From March, 1978 until August, 1980 the Company was involved in well servicing and manufacturing operations. At that time, the Company decided to dispose of or discontinue all these operations (see Note 3). Business segment data for these operations has been reflected in "Loss from operations of discontinued businesses" in the accompanying consolidated statements of earnings.

The following table sets forth for the periods indicated the revenue, production income, net of lifting costs, operating profit and identifiable assets attributable to the geographic regions in which the Company has reserves and production.

	Year Ended December 31		
	1980	1979	1978
Revenue			
Canada	$11,140	$ 6,828	$ 4,090
United States	9,664	4,778	840
	$20,804	$11,606	$ 4,930
Production Income, Net of Lifting Costs			
Canada	$ 7,423	$ 4,666	$ 2,809
United States	7,584	3,511	781
	$15,007	$ 8,177	$ 3,590
Operating Profit			
Canada	$ 5,471	$ 3,025	$ 1,959
United States	3,600	1,679	406
	$ 9,071	$ 4,704	$ 2,365
Identifiable Assets			
Canada	$44,959	$25,702	$13,221
United States	29,657	16,364	4,430
	$74,616	$42,066	$17,651

12. SECURITIES AND EXCHANGE COMMISSION REPORTING REQUIREMENTS

Costs Incurred and Capitalized Costs Related to Oil and Gas Producing Activities

The following table sets forth (i) costs incurred in oil and gas producing activities (whether charged to expense or capitalized) and (ii) the aggregate capitalized costs relating to oil and gas producing activities and the aggregate amount of related depreciation, depletion and amortization. Capitalized costs of unproven properties are not significant and are being amortized as disclosed in Note 1(b):

	Year Ended December 31, 1980			Year Ended December 31, 1979			Year Ended December 31, 1978		
	Total	Canada	United States	Total	Canada	United States	Total	Canada	United States
Capitalized Costs Incurred:									
Property acquisition costs (unproved)	$ 3,456	$ 1,042	$ 2,414	$ 4,693	$ 2,608	$ 2,085	$ 3,026	$ 965	$ 2,061
Acquisition of proved properties	180	180	—	5,162	1,531	3,631	—	—	—
Exploration costs	18,648	9,789	8,859	3,505	2,304	1,201	528	438	90
Development costs	16,121	10,148	5,973	14,499	7,717	6,782	7,816	6,266	1,550
Total	$38,405	$21,159	$17,246	$27,859	$14,160	$13,699	$11,370	$ 7,669	$ 3,701
Costs Charged to Expense:									
Production (lifting) costs	$ 5,797	$ 3,715	$ 2,082	$ 3,429	$ 2,074	$ 1,355	$ 1,340	$ 1,281	$ 59
Depreciation, depletion and amortization expense	$ 6,067	$ 2,130	$ 3,937	$ 3,473	$ 1,729	$ 1,744	$ 1,225	$ 794	$ 431
Capitalized Costs:									
Costs of properties being amortized	$86,539	$50,504	$36,035	$48,134	$29,345	$18,789	$20,276	$15,164	$ 5,112
Accumulated depreciation, depletion and amortization	$11,923	$ 5,545	$ 6,378	$ 6,068	$ 3,643	$ 2,425	$ 2,625	$ 1,943	$ 682

Regulation S-X, Article 4-10(k)(5) to (8) includes requirements for disclosure of unaudited information regarding estimated quantities of proved oil and gas reserves, projections of estimated future net revenues from production of proved reserves and the estimated present value of these future net revenues, and a summary of oil and gas producing activities prepared on the basis of Reserve Recognition Accounting. This information is disclosed as supplemental information.

13. REMUNERATION OF DIRECTORS AND OFFICERS

The total remuneration paid to directors and officers of the Company amounted to $367,000 (1979 – $327,000, 1978 – $247,000).

SUPPLEMENTARY INFORMATION - UNAUDITED

RESERVE RECOGNITION ACCOUNTING (RRA)

The following information is provided to comply with the oil and gas producing activity disclosure requirements of the United States Securities and Exchange Commission ("SEC").

ESTIMATED QUANTITIES OF PROVED RESERVES

Estimated quantities of proved developed and proved undeveloped reserves of crude oil (including condensate and natural gas liquids) and natural gas for the years ended December 31, 1980, 1979 and 1978 are disclosed in the following tables. As prescribed by the SEC, these quantities are presented on a net after royalty basis and form the basis for the calculations included in the following section on Reserve Recognition Accounting. Reserve quantities have been calculated in accordance with SEC definitions as follows:

(1) Proved reserves – estimated quantities of reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

(2) Proved developed reserves – reserves that can be expected to be recovered from existing wells with existing equipment and operating methods.

(3) Proved undeveloped reserves – reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required.

Table 1 displays the Company's net proved reserves including proved developed producing, proved developed non-producing and proved undeveloped reserves. Table 2 presents the net proved developed reserves. Data for both tables is as at December 31, 1980, 1979 and 1978 and is based on estimates by independent petroleum engineers in accordance with guidelines set out by the SEC. Table 3 sets out the expected future net revenues to be derived from producing the estimated net proved reserves. Pricing and timing assumptions are the same in this undiscounted case as under the RRA cash flow determinations presented in this section.

Table 1 - Changes in Quantities of Proved Reserves

	Total		Canada		U.S.A.	
	Oil (thousands of barrels)	Gas (Mmcf)	Oil (thousands of barrels)	Gas (Mmcf)	Oil (thousands of barrels)	Gas (Mmcf)
Balance, December 31, 1977	4,387	4,366	4,368	1,890	19	2,476
Revisions to previous estimates	(205)	(1,826)	(204)	185	(1)	(2,011)
	4,182	2,540	4,164	2,075	18	465
New field discoveries and extensions	4,953	6,314	4,946	3,065	7	3,249
Purchases of reserves	5	490	—	—	5	490
Production	(336)	(504)	(331)	(93)	(5)	(411)
Sales of reserves	—	(288)	—	(288)	—	—
Balance, December 31, 1978	8,804	8,552	8,779	4,759	25	3,793
Revisions to previous estimates	(1,019)	812	(1,023)	833	4	(21)
	7,785	9,364	7,756	5,592	29	3,772
New field discoveries and extensions	4,410	711	3,865	—	545	711
Purchases of reserves	2,065	2,837	278	—	1,787	2,837
Production	(666)	(821)	(534)	(84)	(132)	(737)
Sales of reserves	(219)	—	(219)	—	—	—
Balance, December 31, 1979	13,375	12,091	11,146	5,508	2,229	6,583
Revisions to previous estimates	(616)	(2,760)	(6)	390	(610)	(3,150)
	12,759	9,331	11,140	5,898	1,619	3,433
New field discoveries and extensions	6,068	6,466	4,662	1,457	1,406	5,009
Purchases of reserves	—	—	—	—	—	—
Production	(919)	(606)	(680)	(65)	(239)	(541)
Sales of reserves	(25)	(38)	—	—	(25)	(38)
Balance, December 31, 1980	17,883	15,153	15,122	7,290	2,761	7,863

Table 2 – Estimated Quantities of Proved Developed Reserves

	Total		Canada		U.S.A.	
	Oil (thousands of barrels)	Gas (Mmcf)	Oil (thousands of barrels)	Gas (Mmcf)	Oil (thousands of barrels)	Gas (Mmcf)
December 31, 1978	6,319	4,254	6,296	545	23	3,709
December 31, 1979	8,693	3,961	7,942	593	751	3,368
December 31, 1980	13,474	11,765	12,604	6,785	870	4,980

Table 3 – Estimated Future Net Revenue (Undiscounted)

	Proved Reserves			Proved Developed Reserves		
Year	Total	Canada	U.S.A.	Total	Canada	U.S.A
1981	$ 9,849	$ 4,581	$ 5,268	$ 15,146	$ 8,361	$ 6,785
1982	26,253	10,307	15,946	13,815	8,303	5,512
1983	24,041	9,819	14,222	12,123	7,939	4,184
Remaining	232,757	189,692	43,065	170,588	155,285	15,303
Total	$292,900	$214,399	$78,501	$211,672	$179,888	$31,784

RESERVE RECOGNITION ACCOUNTING

Statement of Reserve Recognition Accounting Policies

Beginning in 1979, the SEC required that companies present unaudited financial information on the basis of RRA. The accounting policies set forth below have been followed in preparing the RRA presentations.

Under RRA, an asset is recognized and earnings are recorded when proved reserves are added through exploration and development activities.

A dollar valuation (the "RRA valuation") of proved reserves is developed as follows:

(1) Estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced based on year-end economic conditions;

(2) The estimated future production of proved reserves is priced on the basis of year-end prices except that future prices of gas are increased for fixed and determinable escalation provisions in contracts and that future prices of Canadian oil are increased in accordance with prices established by the Canadian Government National Energy Program ("NEP") up to the present world price level.

(3) The resulting future gross revenue streams are reduced by estimated future costs to develop and to produce the proved reserves, based on year-end cost estimates.

(4) The resulting future net revenue streams are reduced to present value amounts by applying a 10 percent discount factor.

As acknowledged by the SEC, this valuation is not intended as an estimate of the fair market value of a company's oil and gas properties. An estimate of fair market value should also take into account, among other factors, the likelihood of future recoveries of oil and gas in excess of proved reserves, anticipated future prices of oil and gas and related development and production costs, the value of additional reserves not considered proved at present, the effect of government legislation on future net reserves and other business risks.

Subsequent revision to the RRA valuation of proved reserves are included in RRA earnings as they occur. The estimated impact of major factors affecting annual changes in proved reserves based on year-end RRA valuations of proved reserves were developed as described below.

(1) "New Field Discoveries and Extensions" represents proved reserves added from drilling exploratory and development wells.

(2) "Increases in Prices of Oil and Gas, Net of Related Lifting Costs" represents the approximate effect of changes from one period to the next in the prices and lifting costs used in the RRA valuation calculation.

(3) "Interest Factor – Accretion of Discount" is computed by applying 10 percent to the RRA valuation as of the beginning of the year in recognition of the increase resulting from the impact of the passage of time on the discounted cash flow approach to the valuation of the proved reserves.

(4) "Other" includes the net effect of all changes affecting the RRA valuation not otherwise reported. See "Management's Discussion and Analysis".

Exploration and Development Costs

The costs of acquiring unproved properties and drilling exploratory wells are deferred until the properties are evaluated and determined to be either productive or nonproductive, at which time they are charged to expense. Other exploration costs are charged to expense as incurred. Costs of acquiring unproved properties aggregating $3,155,000 have been deferred at December 31, 1980. Costs deferred at December 31, 1979 were $2,202,000 of which $871,000 have been expensed for RRA purposes in 1980.

Estimated future costs to develop proved reserves are deducted in the RRA valuation of proved reserves. Subsequent revisions to estimated future development costs are included in revisions to reserves proved in prior years. Other development costs are charged to expense when related proved reserves are recognized.

Purchase and Sales of Proved Reserves

Differences, when not significant, between the consideration paid or received and the RRA valuation of proved reserves purchased or sold have been included in RRA operating results in the periods that the transactions occurred. In 1979, the purchase of proved reserves in Utah resulted in a significant excess of RRA valuation of proved reserves purchased over the purchase price paid. At December 31, 1979, the Company deferred $30,821,000 of such excess, which will be brought into the RRA summary of operations over the life of the reserves purchased.

Production and Funds Flow

Under RRA, because earnings are recognized when proved reserves are discovered and as the RRA valuation of proved reserves changes, no earnings are reported when oil and gas are produced. Consequently, RRA earnings may differ substantially from funds generated or required by current exploration, development and producing operations.

Income Taxes

The provision for income taxes has been calculated separately for Canada and the U.S. using the income tax rates as calculated after making provision for the tax base for oil and gas properties, deductions for depletion and provisions for non-allowable royalties, Petroleum and Gas Revenue Taxes and other expenses.

The RRA presentation as at December 31, 1980 and 1979 is made up of Table 4 – Summary of Oil and Gas Producing Activities and Table 5 – Summary of Changes in the Present Value of Estimated Future Net Revenues from Proved Reserves.

Reflected in these tables is the present value of reserves added during 1980 by field discoveries and extensions amounting to $52,354,000 at a capital cost of $35,964,000. The significant effect on valuation of reserves proved in prior years by applying NEP scheduled oil prices rather than year-end prices is reflected as $27,370,000. The erosion of value attributable to the imposition of the 8% Petroleum and Gas Revenue Tax amounts to $13,821,000. A downward engineering revision of the Utah reserves, purchased in 1979, makes up approximately $20 million of "Other" revisions. Each of these significant occurrences has combined to create a net (RRA basis) loss of $464,000 from the Company's oil and gas producing activities.

Management's Discussion and Analysis

Under RRA, operating results are determined based upon additions to proved reserves from new field discoveries and extensions and revisions to the RRA valuation of reserves proved in prior years and upon costs incurred in exploration and development activities. The additions to proved reserves from new field discoveries and extensions could vary significantly from year-to-year, depending upon the number and success ratio of exploratory and development wells drilled and the estimated reserves discovered.

The RRA valuation of future net revenues is based on year-end prices, adjusted only for fixed and determinable contractual escalation. Any price increases, net of increases in lifting costs, on proved reserves is included in RRA earnings when the increases occur. The estimated future net revenues are after deducting estimated future lifting costs and future recompletion and development costs, both based on comparable prices in effect at December 31, 1980.

The Company cautions against projecting future RRA results on the experience in 1980 and 1979. RRA seeks to reflect events relating to exploration and development as they occur; whereas under generally accepted accounting principles, the impact of such events, are reported over many future years. A number of years may lapse, however, between incurring costs and knowing the economic results of the expenditures. Information about reservoir characteristics may significantly change previous estimates of proved reserves and their valuation.

All of these uncertainties should be considered in reviewing the RRA data. Future RRA results will depend on the outcome of the Company's exploration and development programs and the matters discussed in the preceding paragraphs.

Table 4

SUMMARY OF OIL AND GAS PRODUCING ACTIVITIES

For the Years Ended December 31, 1980 and 1979
Prepared on the Basis of Reserve Recognition Accounting

	December 31, 1980			December 31, 1979
	Total	Canada	U.S.A	Total
Additions to Proved Reserves:				
New Field Discoveries and Extensions	$52,354	$24,251	$28,103	$29,496
Revisions to Reserves Proved in Prior Years:				
Increases in Prices of oil and gas, net of related lifting costs	33,622	27,370	6,252	6,239
Interest Factor – accretion of discount	10,223	5,078	5,145	4,250
Decrease relative to Petroleum and Gas Revenue Tax under National Energy Program	(13,281)	(13,281)	N/A	N/A
Other	(43,601)	(7,261)	(36,340)	(15,155)
Total Revisions to Proved Reserves	(13,037)	11,906	(24,943)	(4,666)
Total Additions to Proved Reserves	39,317	36,157	3,160	24,830
Related Exploration and Development Costs	35,964	19,642	16,322	15,278
Additions to proved reserves in excess of related costs	3,353	16,515	(13,162)	9,552
Amortization of deferred excess of RRA Value of Proved Reserves over purchase price	3,945	—	3,945	1,606
RRA Income (Loss) Before Income Taxes	7,298	16,515	(9,217)	11,158
Provision for Income Taxes	7,762	7,762	—	3,942
Income (Loss) from oil and gas producing activities on the basis of RRA (before other income and expenses)	$ (464)	$ 8,753	$ (9,217)	$ 7,216

Table 5

SUMMARY OF CHANGES IN THE PRESENT VALUE OF ESTIMATED FUTURE NET REVENUE FROM PROVED RESERVES

For the Years Ended December 31, 1980 and 1979
Prepared on the Basis of Reserve Recognition Accounting

	December 31, 1980			December 31, 1979
	Total	Canada	U.S.A	Total
Opening Balance, January 1	$102,227	$50,782	$51,445	$42,510
Revisions to Reserves Proved in Prior Years including effect of PGRT	(13,037)	11,906	(24,943)	(4,666)
	89,190	62,688	26,502	37,844
New Field Discoveries and Extensions	52,353	24,251	28,102	29,496
Purchases of Proved Reserves	—	—	—	37,589
Projected Development Costs Incurred	12,692	5,018	7,674	5,605
Production, Net of Lifting Costs	(15,007)	(7,423)	(7,584)	(8,177)
Sale of Reserves	(614)	—	(614)	(130)
Closing Balance, December 31	$138,614	$84,534	$54,080	$102,227

Present Value of Proved Developed Reserves:

	Total	Canada	U.S.A
December 31, 1978	$ 32,106	$26,514	$ 5,592
December 31, 1979	$ 55,045	$38,575	$16,470
December 31, 1980	$ 95,843	$73,111	$22,732

DIRECTORS

LAWTON L. CLARK
President, Page Petroleum Ltd.
Amarillo, Texas

ALEX S. CATHCART
Senior Vice-President
Page Petroleum Ltd.
Calgary, Alberta

C.D. GOULD
Geological Consultant
Calgary, Alberta

FRED HEMMING
President, Bankton and Associates,
Management Consultants Ltd.
Calgary, Alberta

HARRY A. IRVING
President, Irving Industries
(Irving Wire Products Division) Ltd.
Calgary, Alberta

BRIAN G. McCOMBE
Barrister and Solicitor
McCombe Cameron
Calgary, Alberta

OFFICERS PAGE PETROLEUM LTD.

LAWTON L. CLARK, President
ALEX S. CATHCART, Senior Vice-President
LYLE F. WIDDIFIELD, Vice-President Finance
GEORGE E. PATEY, Vice-President Production
BRIAN G. McCOMBE, Secretary
WILLIAM R. HARRISON, Controller

OFFICERS PAGE PETROLEUM INC.

ORIN C. CRANE, Executive Vice-President
JACK C. BENDLER, Vice-President Operations
F.E. DIGERT, Vice-President Exploration
J.R. PENDLETON, Treasurer and Assistant Secretary

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The Bank of New York,
21 West Street,
New York, New York 10015

ACTIVE SUBSIDIARIES

Page Petroleum Inc.
Page Petroleum (U.K.) Limited
Habco Sales Ltd.
R.D.R. Well Servicing Ltd.

AUDITORS

Arthur Andersen & Co.
Calgary, Alberta

BANKING

The Royal Bank of Canada
Calgary, Alberta

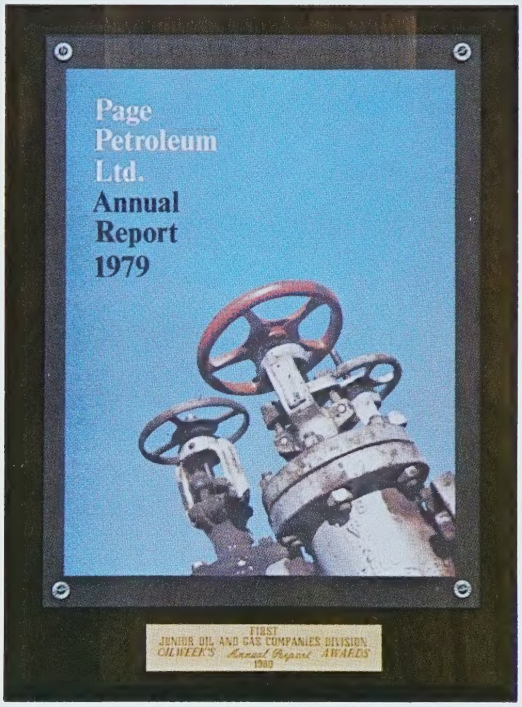
LEGAL COUNSEL

McCombe Cameron
Calgary, Alberta

STOCK LISTINGS

The Toronto Stock Exchange
American Stock Exchange
Symbol "PGE"

**New headquarters for Page Petroleum Inc., effective July 1, 1981.*



Page Petroleum Ltd. was honored by
having its 1979 Annual Report judged
First in the Junior Oil Companies
Division of the Oilweek Magazine
Annual Report Awards Program.
The plaque, shown above,
was presented to Page in October, 1980.

FORM 10-K

The Company's 1980 Annual Report on Form 10-K, filed with the Securities and Exchange Commission of the United States, is available to shareholders who request it by writing to Page Petroleum Ltd. at 11th Floor Royal Bank Building, 335 - 8th Avenue S.W., Calgary, Alberta, Canada T2P 1C9.

MANAGEMENT REPORT

The Board of Directors has approved the information contained in this Annual Report.
The accompanying financial statements have been prepared by management in conformity with those generally accepted accounting principles most appropriate for the nature of the Company's business.
All financial information contained in the Annual Report is consistent with the financial statements.

PAGE PETROLEUM LTD.

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